

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature <i>Abraham J. Gaffy, P.C.</i>		Date <i>March 2, 2013</i>	

Sanilac County, Michigan
FINANCIAL STATEMENTS
December 31, 2004

Sanilac County, Michigan

December 31, 2004

BOARD OF COMMISSIONERS

Robert C. Wood	Chairperson
William Walters	Vice-Chairperson
John Merriman	Commissioner
Norton Schramm	Commissioner
Gary Russell	Commissioner
Donald Hunt	Commissioner
John Espinoza	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

John Males	Administrator
Kathy Dorman	Treasurer
Linda Kozfkay	Clerk
Michele VanNorman	Register of Deeds
Jim Bowerman	Drain Commissioner
Jim Young	Prosecuting Attorney
Virgil Strickler	Sheriff

Sanilac County, Michigan

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Principals

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Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
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Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sanilac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005 on our consideration of Sanilac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 10, 2005

County of Sanilac

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Sanilac County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2004. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2004 represents the second year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Certain limited financial information is presented with respect to the Sanilac County Road Commission in the Management Discussion and Analysis. The reader should refer to the Road Commission's separately issued financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$11,735,310 (excluding component units). Of this amount, \$4,595,149 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors. The County's total net assets increased by \$1,441,627 (excluding component units) from the prior year.
- Governmental activities net assets were \$5,378,069, a net increase of \$1,282,318 from the prior year.
- Business-type activity net assets were \$6,357,241, a net increase of \$159,309 from the prior year.
- Component Unit net assets were \$60,355,325, a net increase of \$34,841,739 from the prior year.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$3,558,637, an increase of \$1,428,054 in comparison with the prior year. All but \$3,070,603 is reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$111,446 less in revenues and other financing sources than anticipated for the fiscal year. General Fund operations also expended \$977,570 less than appropriated.
- Overall, the General Fund balance increased by \$315,270 to \$988,666 with \$864,504 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued \$2,150,000 in new debt for the fiscal year.
- The total long-term debt for the primary government was \$5,307,384 with a net reduction of \$329,517 from the prior year.
- The Board of Public Works issued \$1,040,884 in new long-term bonds.
- The Drainage Districts issued \$433,500 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts, EDC and Board of Public Works only) was \$14,406,250 with a net reduction of \$32,985 from the prior year.
- The long-term debt for the Road Commission was \$1,626,050, with a net reduction of \$415,750 from the prior year.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$507,470 and included such purchases as a telephone system for the Health Department, four vehicles for the Sheriff, Emergency Services and Drug Task Force activities, work stations for the Register of Deeds activities, equipment and improvements to Parks facilities, and improvements to the Medical Care Facility and ADAPT buildings.

County of Sanilac Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Health Department and Sheriff Department Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Sanilac County Medical Care Facility Fund and the Delinquent Tax Funds are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Four organizations are included as component units: the Sanilac County Board of Public Works, the Sanilac County Road Commission, the Sanilac County Economic Development Corporation, and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 18 and 21 present reconciliations between the two statement types.

County of Sanilac

Management's Discussion and Analysis

The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Health Department and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include certain special revenue funds (e.g., Sheriff Department Fund), the internal services funds (e.g., Data Processing Fund, Health Insurance Fund) as well as enterprise funds (e.g., Medical Care Facility and Delinquent Tax Funds).

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Sanilac County include the General Fund, the Health Department Fund, the Road Millage Fund, the Sheriff Department Fund, the Revenue Sharing Reserve Fund, the Medical Care Facility Fund, the Delinquent Tax Umbrella Fund, and the 2003 Delinquent Tax Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

County of Sanilac

Management's Discussion and Analysis

- ***Governmental Funds*** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Data Processing Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- ***Fiduciary Funds*** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 28 and 29. These funds, which include trust and agency funds and the Pension Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 35 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Sanilac County's combined net assets were \$11,735,310 at the end of this fiscal year's operations. The net assets of the governmental activities were \$5,378,069; the business type activities were \$6,357,241.

County of Sanilac

Management's Discussion and Analysis

Sanilac County Net Assets FY ended 2004 and ended FY 2003

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current Assets	\$ 12,605,661	\$ 12,437,796	\$ 5,497,960	\$ 5,391,600	\$ 18,103,621	\$ 17,829,396
Noncurrent Assets	<u>5,868,948</u>	<u>6,090,353</u>	<u>2,060,516</u>	<u>2,067,334</u>	<u>7,929,464</u>	<u>8,157,687</u>
Total Assets	<u>\$ 18,474,609</u>	<u>\$ 18,528,149</u>	<u>\$ 7,558,476</u>	<u>\$ 7,458,934</u>	<u>\$ 26,033,085</u>	<u>\$ 25,987,083</u>
Current Liabilities	\$ 9,174,318	\$ 10,304,306	\$ 1,073,265	\$ 231,860	\$ 10,247,583	\$ 10,536,166
Noncurrent Liabilities	<u>3,922,222</u>	<u>4,128,092</u>	<u>127,970</u>	<u>1,029,142</u>	<u>4,050,192</u>	<u>5,157,234</u>
Total Liabilities	<u>\$ 13,096,540</u>	<u>\$ 14,432,398</u>	<u>\$ 1,201,235</u>	<u>\$ 1,261,002</u>	<u>\$ 14,297,775</u>	<u>\$ 15,693,400</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 2,506,604	\$ 2,533,696	\$ 1,841,990	\$ 1,853,629	\$ 4,348,594	\$ 4,387,325
Restricted	2,418,591	1,865,952	372,776	362,790	2,791,567	2,228,742
Unrestricted	<u>452,674</u>	<u>(303,897)</u>	<u>4,142,475</u>	<u>3,981,513</u>	<u>4,595,149</u>	<u>3,677,616</u>
Total Net Assets	<u>\$ 5,378,069</u>	<u>\$ 4,095,751</u>	<u>\$ 6,357,241</u>	<u>\$ 6,197,932</u>	<u>\$ 11,735,310</u>	<u>\$ 10,293,683</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the fiscal year:

Sanilac County's Changes in Net Assets for the Fiscal Year Ended December 31, 2004 and 2003

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Charges for Services	\$ 5,275,719	\$ 5,090,264	\$ 6,714,427	\$ 6,800,532	\$ 11,990,146	\$ 11,890,796
Grants and Contributions	4,058,596	4,074,249	-	-	4,058,596	4,074,249
General Revenues						
Property Taxes	10,165,248	8,326,833	-	-	10,165,248	8,326,833
State Shared Revenue	264,798	814,944	-	-	264,598	814,944
Investment Earnings	92,106	117,603	40,831	37,068	132,937	154,671
Miscellaneous	<u>418,671</u>	<u>300,120</u>	<u>308,851</u>	<u>239,271</u>	<u>727,522</u>	<u>539,391</u>
Total Revenues	20,275,138	18,724,013	7,064,109	7,076,871	27,339,247	25,800,884
Expenses						
Legislative	98,592	130,805	-	-	98,592	130,805
General government	1,966,849	2,785,701	87,145	117,006	2,053,994	3,302,386
Public safety	5,489,977	5,134,284	-	-	5,489,977	5,134,284
Public works	2,892,497	2,755,827	-	-	2,892,497	2,755,827
Health and Welfare	5,485,385	5,106,125	6,779,129	6,509,734	12,264,514	11,615,859
Judicial	1,831,846	1,921,207	-	-	1,831,846	1,921,207
Recreation and cultural	756,204	655,890	-	-	756,204	655,890
Unallocated depreciation	283,722	265,492	-	-	283,722	265,492
Interest on long-term debt	<u>145,871</u>	<u>134,187</u>	<u>-</u>	<u>-</u>	<u>145,871</u>	<u>134,187</u>
Total Expenses	<u>19,040,943</u>	<u>18,889,518</u>	<u>6,866,274</u>	<u>6,626,740</u>	<u>25,907,217</u>	<u>25,516,258</u>
Excess (deficiency)	1,234,195	(165,505)	197,835	450,131	1,432,030	284,626
Transfers	<u>61,650</u>	<u>40,027</u>	<u>(38,526)</u>	<u>(16,042)</u>	<u>23,124</u>	<u>23,985</u>
Increase (decrease) in Net Assets	1,295,845	(125,478)	159,309	434,089	1,455,154	308,611
Net Assets - Beginning	4,095,751	4,248,168	6,197,932	5,763,843	10,293,683	10,012,011
Prior Period Adjustments	<u>(13,527)</u>	<u>(26,939)</u>	<u>-</u>	<u>-</u>	<u>(13,527)</u>	<u>(26,939)</u>
Net Assets - Ending	<u>\$ 5,378,069</u>	<u>\$ 4,095,751</u>	<u>\$ 6,357,241</u>	<u>\$ 6,197,932</u>	<u>\$ 11,735,310</u>	<u>\$ 10,293,683</u>

County of Sanilac

Management's Discussion and Analysis

Governmental Activities:

The result of 2004 governmental activity was an increase of \$1,282,318 in net assets, including prior period adjustments, to \$5,378,069. Of the total governmental activities' net assets, \$2,506,604 is invested in capital assets less related debt, \$2,418,791 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$452,674 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 50% (increase of 5% from the prior year), charges for services at 26% (decrease of 1% from the prior year), and grants and contributions at 20% (decrease of 2% from prior year). The County levied nine property tax millages for the 2003 tax levy which is recognized as revenue in 2004, one being for general government operations at 4.1026 mills, which is not assigned to any particular activity, one for Council on Aging at .2 mills, one for Ambulance services at .19 mills, one for roads at 1.9213 mills, one for drug law enforcement at .4885 mills, one for parks at .1954 mills, one for county library services at .2 mills, one for veterans services at .12 mills, and one Medical Care Facility maintenance of effort for .2 mills. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate boarding charges. Grants and contributions are the third largest source of governmental activity revenue.

Expenses:

Public Safety is the largest governmental activity, expending almost \$5.49 million (an increase of \$355,693 or 6.9%) of the \$19.04 million governmental activities total and includes offices such as the Sheriff Department and Jail operations, Central Dispatch and Construction and Land Use activities. Health and Welfare is the second largest area, expending \$5.48 million (an increase of \$379,260 or 7.4%). Expenditures in this area include primarily Health Department, Child Care, Veterans, Transportation and Family Independence Agency operations.

Business-type Activities:

Net assets in business-type activities increased by \$159,309 during 2004. The vast majority of this increase was a result of excess revenues generated in the Delinquent Tax Funds, netted against a loss generated in the Medical Care Facility Fund. Of the total business-type activities net assets, \$1,841,990 is invested in capital assets less related debt, \$372,776 is restricted, meaning these assets are legally committed to pay outstanding debt. The balance of \$4,142,475 of net assets in the business type activities is reported as unrestricted, having no legal commitment. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2004, its governmental funds reported *combined* fund balances of \$3,558,637. This is a net increase of \$1,428,054. The net changes are summarized in the following chart:

County of Sanilac

Management's Discussion and Analysis

	General Fund	Road Millage	Health Department	Sheriff	Revenue Sharing Reserve	Other Non-Major Governmental Funds
Fund Balance 12/31/03	\$ 673,396	\$ 1,290	\$ (127,733)	\$ 96,731	\$ -	\$ 1,486,899
Fund Balance 12/31/04	\$ 988,666	\$ 13,231	\$ 54,076	\$ 13,857	\$ 1,080,351	\$ 1,408,456
Net Change	\$ 315,270	\$ 11,941	\$ 181,809	\$ (82,874)	\$ 1,080,351	\$ (78,443)

The General Fund balance increased by \$315,270; this is partially due to the required amounts of transfers out to other funds (i.e., Child Care - Probate, Accumulated Benefits, etc.) being less than budgeted by approximately \$200,000, and also reductions in departmental expenditures resulting in many departments being under budget. The Health Department Fund balance increased by \$181,809 mainly due to increases in Federal and State grant revenues, and also increases in revenues for cost report settlements due to a change in the revenue recognition accounting procedures. The Road Millage Fund increased by \$11,941 from normal operations. The Sheriff Department Fund decreased by \$82,874 which is close to the same figure the County budgeted for anticipated use of fund balance during 2004. The Revenue Sharing Reserve Fund increased by \$1,080,351 due to recognizing one third of the County General Fund property tax levy, and transferring out the required amount to the General Fund to substitute for reductions in State Shared revenues. The combined other non-major funds decreased by \$78,443 due mainly to excess expenditures generated from the Revolving Loan, Drug Law Enforcement and County Ambulance Fund activities.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2004, the General Fund reported a fund balance of \$988,666. This amount is an increase of \$315,270 from the fund balance of \$673,396 reported as of December 31, 2003. Of the total fund balance, \$124,162 is reserved, designated or earmarked for specific purposes.

The General Fund 2004 revenues exceeded 2004 expenditures by \$4,583,079, however, the General Fund also supports the operations of other funds including the Sheriff Department, Central Dispatch, Health Department, Child Care, Friend of the Court, Law Library, and the ROD Automation Fund. The General Fund also supports the internal service fund activities with transfers made to the Workers Compensation Fund, Insurance Fund, Employee Health Care Fund, Data Processing Fund, Accumulated Benefits Fund, and Mail Department Fund, and also transfers funds to Building Authority funds for debt service requirements.

General Fund Budgetary Highlights:

Sanilac County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

The County's General Fund revenue budget was increased by \$732,636 (7.7% above the original budget) during 2004. Actual General Fund revenue and other financing sources totaled \$10,126,399, \$111,446 less than the final amended budget. There were some variations in individual revenue accounts. Significantly, a portion of the variance is due to year end recording of a MSHDA pass-through grant revenue that was not budgeted. Also, a Homeland Security grant revenue was budgeted with only a small portion being earned. Also, the County had budgeted a transfer from the Delinquent Tax Umbrella Fund which was not requested. .

County of Sanilac

Management's Discussion and Analysis

The County's expenditure budget was increased by \$843,487 (8.5% above the original budget) during 2004. Some of the more significant amendments were related to the addition of a Homeland Security grant, increase in the contingencies line item, and increase in anticipated transfer out to the Sheriff Fund.

Actual County expenditures for 2004 were \$977,570 below budget. This is due to several reasons, for which the most significant are listed below:

- \$78,762 less than planned expenditures in the Emergency Services department due to not expending the Homeland Security grant as planned.
- \$202,865 less than planned expenditures for required transfers to the Child Care - Probate Fund, Friend of the Court Fund, and Accumulated Benefits Fund.
- \$607,502 in contingency funds not expended.
- \$65,030 more than budgeted for expenditures related to a pass-through grant that was not budgeted.
- Many departments' expenditures were under budget due to County cutbacks and general budget tightening.

Road Millage Fund:

The Road Millage Fund is used to collect a dedicated tax levy for road projects. These funds are then transferred to the Road Commission (Component Unit) to be used for various road projects. As of December 31, 2004, the Road Millage Fund reported a fund balance of \$13,231, an increase of \$11,941 from the prior year. The total fund balance is considered to be undesignated/unreserved.

Health Department Fund:

The Health Department Fund is used to report activities related to the various personal and environmental health services provided to County residents. Revenue is generated by Federal and State grant programs, charges for services, other local revenues and transfers from the General Fund. As of September 30, 2004, the Health Department Fund reported a fund balance of \$54,076, which is an increase to fund balance of \$181,809 from the prior year. Of the total fund balance, all but \$2,579 is undesignated/unreserved.

Sheriff Fund

The Sheriff Fund is used to report activities related to the Sheriff Department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues and transfers from the General Fund. As of December 31, 2004, the Sheriff Fund reported a fund balance of \$13,857, which is a decrease of \$82,874 from the prior year. Of the total fund balance, all but \$2,529 is undesignated/unreserved.

Revenue Sharing Reserve Fund

The Revenue Sharing Reserve Fund is new in 2004 and is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Revenue is generated from County General Fund property taxes. As of December 31, 2004, the Revenue Sharing Reserve Fund reported a fund balance of \$1,080,351. The total fund balance is considered to be undesignated /unreserved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2004, the County primary government had invested \$7,588,399, and \$56,289,213 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$7,773,670 for the primary government, and \$34,772,845 for the component units. Depreciation charges for the fiscal year totaled \$706,670 for the primary government and \$3,980,579 for the component units.

County of Sanilac Management's Discussion and Analysis

	Governmental Activities		Component Units Drains		Component Unit Road Commission		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Land and improvements	\$ 274,297	\$ 274,297	\$ -	\$ -	\$ 66,903	\$ 66,903	\$ 341,200	\$ 341,200
Const. in progress	-	-	-	-	82,375	-	82,375	-
Buildings	10,664,463	10,442,297	-	-	429,111	429,111	11,093,574	10,871,408
Equipment	3,486,461	3,376,919	-	-	7,270,848	7,346,773	10,757,309	10,723,692
Infra-Bridges/Roads	-	-	-	-	58,997,237	54,972,061	58,997,237	54,972,061
Vehicles	936,048	927,500	-	-	-	-	936,048	927,500
Drains	-	-	24,160,134	23,736,633	-	-	24,160,134	23,736,633
Depletable assets	-	-	-	-	55,450	55,450	55,450	55,450
Accumulated depreciation	(7,773,670)	(7,213,097)	(9,397,118)	(8,591,782)	(25,375,727)	(23,375,865)	(42,546,575)	(39,180,744)
Capital assets, net	<u>\$ 7,588,399</u>	<u>\$ 7,821,443</u>	<u>\$ 14,763,016</u>	<u>\$ 15,144,851</u>	<u>\$ 41,526,197</u>	<u>\$ 39,494,433</u>	<u>\$63,877,612</u>	<u>\$ 62,460,727</u>

Long-term Debt - As of December 31, 2004, the County had \$5,307,384 in bonds, notes and other outstanding obligations for the primary government. This level of net obligation is \$329,517 less than the obligation recorded as of December 31, 2003. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in Sanilac County. All drain debt is payable out of assessments against the drainage districts, and all Board of Public Works debt is payable from contractual agreements with local units of government.

Outstanding Debt as of December 31, 2004:

Primary Government	<u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2004</u>
Governmental Activities				
Bonds Payable	\$3,420,000	\$ -	\$ 190,000	\$ 3,230,000
Pension liability	479,161	12,404	-	491,565
Capital leases	14,118	-	4,313	9,805
Accum. Vacation and sick	694,480	3,564	-	698,044
Business-type Activities				
Notes payable	903,000	2,150,000	2,303,000	750,000
Accum. Vacation and sick	<u>126,142</u>	<u>1,828</u>	<u>-</u>	<u>127,970</u>
Total Primary Government	5,636,901	2,167,796	2,497,313	5,307,384
Component Units				
Board of Public Works				
Water System Bonds	9,305,000	1,040,884	535,000	9,810,884
Drainage Districts				
Drain Bonds and Notes	5,032,252	433,500	972,369	4,493,383
Road Commission				
Capital leases	1,011,330	360,007	425,911	945,426
Accum. Vacation and sick	1,030,470	-	349,846	680,424
Economic Development Corp.				
Loan payable	<u>101,983</u>	<u>-</u>	<u>-</u>	<u>101,983</u>
Total Component Units	<u>16,481,035</u>	<u>1,834,391</u>	<u>2,283,126</u>	<u>16,032,300</u>
Total Reporting Entity	<u>\$22,117,936</u>	<u>\$4,002,187</u>	<u>\$4,780,439</u>	<u>\$ 21,339,684</u>

County of Sanilac

Management's Discussion and Analysis

Debt Limit (10% of SEV)	\$174,573,882
Available Statutory Debt Limit	\$153,234,198

Activity for the primary government business-type activities during 2004 included issuance of \$2,150,000 in Delinquent Tax notes which were used to purchase the 2003 delinquent real property taxes of the various municipalities in the County.

Activity for the Component Units (Drainage Districts) during 2004 included the issuance of \$433,500 in drainage district bonds and notes used to construct and/or improve various drainage projects.

A more detailed discussion of the County's long-term debt obligations is presented in Note G to the financial statements. The Road Commission's separately issued financial statements include details about their long-term debt.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2004 was \$1,745,738,823; therefore the County's debt limitation was \$174,573,882. The County remains well below its legal debt limit by over \$150 million.

SANILAC COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has been discontinued and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are at historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2005. A usage of \$282,350 of the County's fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Sanilac County Treasurer's Office at (810) 648-2127 or Sanilac County Administration Office at (810) 648-2933.

BASIC FINANCIAL STATEMENTS

Sanilac County, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,339,859	\$ 3,060,689	\$ 5,400,548	\$ 4,854,968
Investments	359,263	-	359,263	-
Receivables	9,491,071	2,397,231	11,888,302	5,676,128
Due from other funds	162,178	-	162,178	-
Due from primary government	-	-	-0-	256,075
Inventories	9,923	10,096	20,019	274,366
Prepaid expenses	243,367	29,944	273,311	55,413
Current portion of lease receivable	-	-	-0-	565,000
Total current assets	12,605,661	5,497,960	18,103,621	11,681,950
Non-current assets				
Restricted cash and cash equivalents	-	29,032	29,032	-
Lease receivable	-	-	-0-	9,245,884
Advance to component unit	122,539	-	122,539	-
Advance to other funds	-	189,494	189,494	-
Capital assets, net	5,746,409	1,841,990	7,588,399	56,289,213
Total non-current assets	5,868,948	2,060,516	7,929,464	65,535,097
TOTAL ASSETS	18,474,609	7,558,476	26,033,085	77,217,047
LIABILITIES				
Current liabilities				
Accounts payable	398,167	65,415	463,582	162,181
Other accrued liabilities	862,352	126,534	988,886	65,671
Due to other funds	-	97,097	97,097	-
Due to component units	256,075	-	256,075	-
Due to other governmental units	56,000	170	56,170	27
Deferred revenue	7,396,603	34,049	7,430,652	213,550
Current portion of long-term debt	205,121	750,000	955,121	2,284,970
Total current liabilities	9,174,318	1,073,265	10,247,583	2,726,399
Non-current liabilities				
Advances from primary government	-	-	-0-	122,539
Advance from other governments	-	-	-0-	265,454
Advance from other funds	189,494	-	189,494	-
Compensated absences	698,044	127,970	826,014	363,487
Capital lease payable	4,684	-	4,684	491,001
Non-current portion of long-term debt	3,030,000	-	3,030,000	12,892,842
Total non-current liabilities	3,922,222	127,970	4,050,192	14,135,323
TOTAL LIABILITIES	13,096,540	1,201,235	14,297,775	16,861,722
NET ASSETS				
Invested in capital assets, net of related debt	2,506,604	1,841,990	4,348,594	50,850,404
Restricted for:				
Capital improvements	29,940	-	29,940	1,959,386
Debt service	36,407	372,776	409,183	5,467,831
Other purposes	2,352,444	-	2,352,444	1,985,125
Unrestricted	452,674	4,142,475	4,595,149	92,579
TOTAL NET ASSETS	\$ 5,378,069	\$ 6,357,241	\$ 11,735,310	\$ 60,355,325

See accompanying notes to financial statements.

Sanilac County, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
Legislative	\$ 98,592	\$ -	\$ -	\$ -	\$ (98,592)	\$ -	\$ (98,592)	\$ -
Judicial	1,831,846	675,125	960,890	-	(195,831)	-	(195,831)	-
General government	1,966,849	1,151,091	10,366	-	(805,392)	-	(805,392)	-
Public safety	5,489,977	2,471,340	559,093	-	(2,459,544)	-	(2,459,544)	-
Public works	2,982,497	166,724	-	-	(2,815,773)	-	(2,815,773)	-
Health and welfare	5,485,385	555,802	2,434,253	-	(2,495,330)	-	(2,495,330)	-
Recreation and cultural	756,204	255,637	93,994	-	(406,573)	-	(406,573)	-
Unallocated depreciation	283,722	-	-	-	(283,722)	-	(283,722)	-
Interest on long-term debt	145,871	-	-	-	(145,871)	-	(145,871)	-
Total governmental activities	19,040,943	5,275,719	4,058,596	-0-	(9,706,628)	-0-	(9,706,628)	-0-
Business-type activities:								
Medical Care Facility	6,779,129	6,073,519	-	-	-	(705,610)	(705,610)	-
Delinquent Tax Umbrella	10,277	5,146	-	-	-	(5,131)	(5,131)	-
Delinquent Tax 2003	26,988	196,688	-	-	-	169,700	169,700	-
Other	49,880	439,074	-	-	-	389,194	389,194	-
Total business-type activities	6,866,274	6,714,427	-0-	-0-	-0-	(151,847)	(151,847)	-0-
Total primary government	\$ 25,907,217	\$ 11,990,146	\$ 4,058,596	\$ -0-	(9,706,628)	(151,847)	(9,858,475)	-0-
Component units:								
Drainage Districts	1,403,039	100,446	-	86,908	-	-	-0-	(1,215,685)
Board of Public Works	573,037	-	505,837	-	-	-	-0-	(67,200)
Economic Development Corporation	358,531	31,604	194,812	-	-	-	-0-	(132,115)
Road Commission	9,330,209	1,527,083	7,555,874	1,789,835	-	-	-0-	1,542,583
Total component units	\$ 11,664,816	\$ 1,659,133	\$ 8,256,523	\$ 1,876,743	-0-	-0-	-0-	127,583
General revenues:								
Property taxes					10,165,248	-	10,165,248	1,697,685
State shared revenue					264,798	-	264,798	-
Investment earnings					92,106	40,831	132,937	213,664
Intergovernmental transfers (net)					-	233,435	233,435	-
Gain on equipment disposals					23,829	-	23,829	14,919
Miscellaneous					394,842	75,416	470,258	124,174
Transfers					61,650	(38,526)	23,124	(39,203)
Total general revenues and transfers					11,002,473	311,156	11,313,629	2,011,239
Change in net assets					1,295,845	159,309	1,455,154	2,138,822
Net assets, beginning of the year					4,095,751	6,197,932	10,293,683	25,513,586
Prior period adjustments					(13,527)	-	(13,527)	32,702,917
Net assets, end of the year					\$ 5,378,069	\$ 6,357,241	\$ 11,735,310	\$ 60,355,325

See accompanying notes to financial statements.

Sanilac County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Road Millage	Health Department (FYE 9-30-04)
ASSETS			
Cash and cash equivalents	\$ 599,331	\$ 240,903	\$ (159,549)
Investments	359,263	-	-
Accounts receivable	32,753	-	39,387
Taxes receivable - current	2,711,961	2,037,762	-
Taxes receivable - delinquent	32,949	-	-
Loans receivable	-	-	-
Due from other funds	615,349	-	65,081
Due from other governmental units	297,769	-	288,760
Prepayments	1,623	-	2,579
Advance to component unit	122,539	-	-
TOTAL ASSETS	\$ 4,773,537	\$ 2,278,665	\$ 236,258
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 93,365	\$ 35	\$ 59,239
Accrued payroll	33,620	-	29,111
Other accrued liabilities	136,073	-	93,832
Due to other funds	17,116	-	-
Due to other governmental units	-	-	-
Due to component units	256,075	-	-
Deferred revenue	3,248,622	2,265,399	-
TOTAL LIABILITIES	3,784,871	2,265,434	182,182
FUND EQUITY			
Fund balance			
Reserved for:			
Inventories and prepaids	1,623	-	2,579
Advances to component units and other funds	122,539	-	-
Debt service	-	-	-
Unreserved			
Designated for specific expenditures	-	-	-
Undesignated, reported in:			
General fund	864,504	-	-
Special revenue funds	-	13,231	51,497
Capital projects funds	-	-	-
TOTAL FUND BALANCES	988,666	13,231	54,076
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,773,537	\$ 2,278,665	\$ 236,258

See accompanying notes to financial statements.

Revenue Sharing Reserve	Sheriff	Other Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 85,439	\$ 1,312,377	\$ 2,078,501
-	-	-	359,263
-	-	92,867	165,007
1,598,615	-	1,693,505	8,041,843
-	-	-	32,949
-	-	367,559	367,559
-	-	858	681,288
-	1,189	293,672	881,390
-	2,529	146,072	152,803
-	-	-	122,539
<u>\$ 1,598,615</u>	<u>\$ 89,157</u>	<u>\$ 3,906,910</u>	<u>\$ 12,883,142</u>
\$ -	\$ 40,314	\$ 163,176	\$ 356,129
-	34,986	29,137	126,854
-	-	-	229,905
518,264	-	-	535,380
-	-	56,000	56,000
-	-	-	256,075
-	-	2,250,141	7,764,162
518,264	75,300	2,498,454	9,324,505
-	2,529	146,072	152,803
-	-	-	122,539
-	-	36,407	36,407
-	-	176,285	176,285
-	-	-	864,504
1,080,351	11,328	1,019,752	2,176,159
-	-	29,940	29,940
<u>1,080,351</u>	<u>13,857</u>	<u>1,408,456</u>	<u>3,558,637</u>
<u>\$ 1,598,615</u>	<u>\$ 89,157</u>	<u>\$ 3,906,910</u>	<u>\$ 12,883,142</u>

Sanilac County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total fund balance - governmental funds **\$ 3,558,637**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	8,166,475	
Accumulated depreciation is	<u>(2,864,007)</u>	
Capital assets, net		5,302,468

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	569,014
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Certain receivables are not susceptible to accrual in the Fund
Financial Statements due to not having met the criteria to be considered
available to finance current operations

Loans receivable	367,559
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Net pension obligation	(491,565)	
Direct County obligations	(3,230,000)	
Compensated absences	<u>(698,044)</u>	
		<u>(4,419,609)</u>

Net assets of governmental activities	<u>\$ 5,378,069</u>
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See accompanying notes to financial statements.

Sanilac County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	General	Road Millage	Health Department (FYE 9-30-04)
REVENUES			
Taxes	\$ 4,785,772	\$ 2,166,699	\$ -
Licenses and permits	485,316	-	157,929
Intergovernmental	1,127,518	-	1,522,159
Charges for services	2,537,416	-	314,504
Fines and forfeits	37,441	-	-
Interest and rents	180,718	16,460	15
Other	249,706	-	49,046
TOTAL REVENUES	9,403,887	2,183,159	2,043,653
EXPENDITURES			
Current			
Legislative	84,130	-	-
General government	1,647,464	-	-
Judicial	1,029,105	-	-
Public safety	423,413	-	-
Public works	257,357	2,171,218	-
Health and welfare	337,788	-	2,000,135
Recreation and culture	-	-	-
Other	1,041,551	-	-
Capital outlay	-	-	45,641
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	4,820,808	2,171,218	2,045,776
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,583,079	11,941	(2,123)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	683,309	-	183,932
Operating transfers out	(4,990,321)	-	-
Transfers from component unit	39,203	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,267,809)	-0-	183,932
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	315,270	11,941	181,809
Fund balances, beginning of year	673,396	1,290	(127,733)
Fund balances, end of year	\$ 988,666	\$ 13,231	\$ 54,076
See accompanying notes to financial statements.			

Revenue Sharing Reserve	Sheriff	Other Non-major Governmental Funds	Total Governmental Funds
\$ 1,598,615	\$ -	\$ 1,763,146	\$ 10,314,232
-	-	27,870	671,115
-	2,650	1,756,711	4,409,038
-	17,946	1,137,824	4,007,690
-	-	51,216	88,657
-	-	254,186	451,379
-	400	104,881	404,033
1,598,615	20,996	5,095,834	20,346,144
-	-	-	84,130
-	-	-	1,647,464
-	-	517,836	1,546,941
-	2,563,353	1,649,363	4,636,129
-	-	89,975	2,518,550
-	-	2,294,192	4,632,115
-	-	637,614	637,614
-	-	-	1,041,551
-	-	106,530	152,171
-	-	190,000	190,000
-	-	145,871	145,871
-0-	2,563,353	5,631,381	17,232,536
1,598,615	(2,542,357)	(535,547)	3,113,608
-	2,466,753	958,062	4,292,056
(518,264)	(7,270)	(500,958)	(6,016,813)
-	-	-	39,203
(518,264)	2,459,483	457,104	(1,685,554)
1,080,351	(82,874)	(78,443)	1,428,054
-	96,731	1,486,899	2,130,583
<u>\$ 1,080,351</u>	<u>\$ 13,857</u>	<u>\$ 1,408,456</u>	<u>\$ 3,558,637</u>

Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Net change in fund balances - total governmental funds **\$ 1,428,054**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	152,171	
Depreciation expense	<u>(283,722)</u>	
Excess of depreciation expense over capital outlay		(131,551)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds		(103,684)
--	--	-----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in loans receivable	(9,191)	
Change in due from other governmental units	<u>(85,644)</u>	
		(94,835)

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets sold.

23,829

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement		190,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension obligation	(12,404)	
(Increase) in accrued compensated absences	<u>(3,564)</u>	
		<u>(15,968)</u>

Change in net assets of governmental activities **\$ 1,295,845**

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Business-type Activities					Governmental Activities
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2003	Other Non-major Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets						
Cash and cash equivalents	\$ 263,970	\$ 882,451	\$ 171,069	\$ 1,743,199	\$ 3,060,689	\$ 261,358
Taxes receivable - delinquent	-	4,248	945,279	270,158	1,219,685	-
Receivables	1,154,244	-	-	1,340	1,155,584	2,323
Inventory	10,096	-	-	-	10,096	9,923
Due from other funds	-	604,415	-	-	604,415	16,270
Due from other governmental units	-	5,794	6,428	9,740	21,962	-
Prepaid expenses	29,944	-	-	-	29,944	90,564
TOTAL CURRENT ASSETS	1,458,254	1,496,908	1,122,776	2,024,437	6,102,375	380,438
Restricted and other assets						
Cash and cash equivalents - restricted	29,032	-	-	-	29,032	-
Advances to other funds	-	189,494	-	-	189,494	-
Total restricted assets	29,032	189,494	-0-	-0-	218,526	-0-
Fixed assets						
Land	90,379	-	-	-	90,379	64,000
Buildings and improvements	3,733,809	-	-	-	3,733,809	141,733
Equipment	925,866	-	-	-	925,866	1,576,804
Vehicles	-	-	-	-	-0-	663,003
Less: accumulated depreciation	(2,908,064)	-	-	-	(2,908,064)	(2,001,599)
Net fixed assets	1,841,990	-0-	-0-	-0-	1,841,990	443,941
TOTAL ASSETS	3,329,276	1,686,402	1,122,776	2,024,437	8,162,891	824,379
LIABILITIES						
Current liabilities						
Accounts payable	65,415	-	-	-	65,415	42,038
Accrued payroll	54,319	-	-	-	54,319	14,028
Accrued liabilities	4,016	7,338	-	-	11,354	-
Due to other funds	-	60,000	-	641,512	701,512	-
Due to component units	-	-	-	-	-0-	-
Due to other governmental units	-	-	-	170	170	-
Payable from restricted assets	29,032	-	-	-	29,032	-
Deferred revenue	34,049	-	-	-	34,049	-
Notes payable	-	-	750,000	-	750,000	-
Security deposits payable	31,829	-	-	-	31,829	-
Total current liabilities	218,660	67,338	750,000	641,682	1,677,680	56,066
Other liabilities						
Capital leases payable	-	-	-	-	-0-	9,805
Accrued vacation and sick	127,970	-	-	-	127,970	-
Advances from other funds	-	-	-	-	-0-	189,494
TOTAL LIABILITIES	346,630	67,338	750,000	641,682	1,805,650	255,365
NET ASSETS						
Invested in capital assets, net of debt	1,841,990	-	-	-	1,841,990	434,136
Restricted	-	-	372,776	-	372,776	-
Unrestricted	1,140,656	1,619,064	-	1,382,755	4,142,475	134,878
TOTAL NET ASSETS	\$ 2,982,646	\$ 1,619,064	\$ 372,776	\$ 1,382,755	\$ 6,357,241	\$ 569,014

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Business-type Activities					Governmental Activities
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2003	Other Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 7,132,631	\$ -	\$ -	\$ -	\$ 7,132,631	\$ 195,197
Contractual adjustments/prior cost settlements	(1,082,511)	-	-	-	(1,082,511)	-
Interest on taxes	-	4,784	102,920	224,259	331,963	-
Sales	23,399	-	-	47,299	70,698	-
Administrative fees	-	362	93,768	167,516	261,646	-
Other	54,804	20,330	-	282	75,416	253,926
TOTAL OPERATING REVENUES	6,128,323	25,476	196,688	439,356	6,789,843	449,123
OPERATING EXPENSES						
Salaries	3,574,782	-	-	827	3,575,609	50,823
Fringe benefits	1,415,024	-	-	72	1,415,096	1,614,113
Contractual services	364,773	-	-	62	364,835	202,095
Supplies	677,836	20	-	157	678,013	202,957
Depreciation	215,680	-	-	-	215,680	185,104
Other	531,034	8,671	10,588	44,432	594,725	44,919
TOTAL OPERATING EXPENSES	6,779,129	8,691	10,588	45,550	6,843,958	2,300,011
OPERATING INCOME (LOSS)	(650,806)	16,785	186,100	393,806	(54,115)	(1,850,888)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental transfers in	7,471,060	-	-	-	7,471,060	-
Intergovernmental transfers out	(7,237,625)	-	-	-	(7,237,625)	-
Interest revenue	6,268	18,261	3,217	13,085	40,831	-
Interest expense	-	(1,586)	(16,400)	(4,330)	(22,316)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	239,703	16,675	(13,183)	8,755	251,950	-0-
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	(411,103)	33,460	172,917	402,561	197,835	(1,850,888)
TRANSFERS IN (OUT)						
Operating transfers in	-	612,856	-	403,715	1,016,571	1,774,804
Operating transfers out	-	(276,675)	-	(778,422)	(1,055,097)	(27,600)
TOTAL TRANSFERS IN (OUT)	-0-	336,181	-0-	(374,707)	(38,526)	1,747,204
CHANGE IN NET ASSETS	(411,103)	369,641	172,917	27,854	159,309	(103,684)
Net assets, beginning of year	3,393,749	1,249,423	199,859	1,354,901	6,197,932	672,698
Net assets, end of year	<u>\$ 2,982,646</u>	<u>\$ 1,619,064</u>	<u>\$ 372,776</u>	<u>\$ 1,382,755</u>	<u>\$ 6,357,241</u>	<u>\$ 569,014</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Business-type Activities		
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 5,907,682	\$ (17,531)	\$ 196,688
Cash paid to suppliers	(1,571,314)	14,415	(833,514)
Cash paid for employee benefits	(1,415,024)	-	-
Cash paid to employees	(3,539,637)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(618,293)	(3,116)	(636,826)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Proceeds of notes	-	-	2,150,000
Note payments	-	-	(1,400,000)
Interest expense	-	(1,586)	(16,400)
Intergovernmental transfers in	7,471,060	-	-
Intergovernmental transfers out	(7,237,625)	-	-
Transfers in	-	612,856	-
Transfers out	-	(276,675)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	233,435	334,595	733,600
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	(204,041)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	6,268	18,261	3,217
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(582,631)	349,740	99,991
Cash and cash equivalents, beginning of year	875,633	532,711	71,078
Cash and cash equivalents, end of year	<u>\$ 293,002</u>	<u>\$ 882,451</u>	<u>\$ 171,069</u>

See accompanying notes to financial statements.

Other Non-major Enterprise Funds	Total	Governmental Activities
		Internal Service Funds
\$ 1,896,763	\$ 7,983,602	\$ 431,729
(293,141)	(2,683,554)	(489,934)
-	(1,415,024)	(1,614,113)
(827)	(3,540,464)	(56,548)
1,602,795	344,560	(1,728,866)
-	2,150,000	-
(903,000)	(2,303,000)	-
(4,330)	(22,316)	-
-	7,471,060	-
-	(7,237,625)	-
403,715	1,016,571	1,774,804
(174,007)	(450,682)	(27,600)
(677,622)	624,008	1,747,204
-	(204,041)	(84,949)
13,085	40,831	-
938,258	805,358	(66,611)
804,941	2,284,363	327,969
<u>\$ 1,743,199</u>	<u>\$ 3,089,721</u>	<u>\$ 261,358</u>

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2004

	Business-type Activities		
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2003
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (650,806)	\$ 16,785	\$ 186,100
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	215,680	-	-
(Increase) Decrease in receivables	(188,942)	(43,007)	(822,926)
(Increase) in prepaid expenses and inventory	(1,554)	-	-
Increase (decrease) in accounts payable	3,883	-	-
Increase (decrease) in deferred revenue	(31,699)	-	-
Increase (decrease) in due to other governments	-	23,106	-
Increase (decrease) in accrued liabilities	35,145	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (618,293)</u>	<u>\$ (3,116)</u>	<u>\$ (636,826)</u>

Other Non-major Enterprise Funds	Total	Governmental Activities
		Internal Service Funds
\$ 393,806	\$ (54,115)	\$ (1,850,888)
-	215,680	185,104
1,225,190	170,315	(17,394)
-	(1,554)	(12,579)
-	3,883	(27,384)
-	(31,699)	
1,438	24,544	(5,725)
(17,639)	17,506	-
<u>\$ 1,602,795</u>	<u>\$ 344,560</u>	<u>\$ (1,728,866)</u>

Sanilac County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Agency Funds	Pension Trust Fund
ASSETS		
Cash and cash equivalents	\$ 330,589	\$ 1,038,995
Investments	-	24,931,867
Accounts receivable	-	202,287
Accrued interest receivable	-	129,331
Due from other funds	136,072	87,752
	<u>136,072</u>	<u>87,752</u>
TOTAL ASSETS	<u>\$ 466,661</u>	<u>\$ 26,390,232</u>
LIABILITIES		
Accounts payable	\$ -	\$ 13,535
Undistributed collections	167,973	-
Due to other funds	23,106	48
Due to other governmental units	250,216	-
Due to individuals and agencies	25,366	-
	<u>25,366</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 466,661</u>	<u>\$ 13,583</u>
NET ASSETS		
Held in trust for pension benefits		<u>\$ 26,376,649</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2004

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 752,587
Net increase in fair value of investments	1,288,287
Less investment expenses	<u>(159,619)</u>
Net investment income	1,881,255
Contributions	
Employer	
Mental Health	406,152
Other	1,202,846
Employees	<u>273,040</u>
Total contributions	1,882,038
Other revenue	<u>1,082</u>
TOTAL ADDITIONS	3,764,375
DEDUCTIONS	
Benefit payments	1,009,843
Refunds of contributions	98,290
Administrative expenses	<u>33,750</u>
TOTAL DEDUCTIONS	<u>1,141,883</u>
CHANGE IN NET ASSETS	2,622,492
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>23,754,157</u>
End of year	<u><u>\$ 26,376,649</u></u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Board of Public Works	Road Commission	Drainage Districts
ASSETS			
Cash and cash equivalents	\$ 18,792	\$ 1,612,108	\$ 2,964,161
Special assessments receivable	-	-	4,313,317
Accounts receivable	-	13,362	-
Due from other governmental units	52,632	1,225,364	-
Inventory	-	274,366	-
Prepaid expenses	-	55,413	-
Due from other funds	-	-	207,929
Due from primary government	-	-	256,075
Advances to other funds	-	-	70,000
Leases receivable	9,810,884	-	-
Capital assets (net of accumulated depreciation)	-	41,526,197	14,763,016
TOTAL ASSETS	9,882,308	44,706,810	22,574,498
LIABILITIES			
Accounts payable	52,632	101,045	2,589
Accrued liabilities	-	60,671	-
Compensated absences	-	680,624	-
Deferred revenue	-	82,667	-
Lease purchases payable	-	945,426	-
Due to other funds	-	-	207,929
Due to individuals	-	5,000	-
Notes, bonds, and loans payable	9,810,884	-	4,493,383
Advances from other funds	-	-	70,000
Due to other governmental units	-	27	-
Advances from other governmental units	-	265,454	-
Advances from primary government	-	-	122,539
TOTAL LIABILITIES	9,863,516	2,140,914	4,896,440
NET ASSETS			
Invested in capital assets, net of related debt	-	40,580,771	10,269,633
Restricted for other purposes	-	1,985,125	-
Reserved for debt service	1,534	-	5,466,297
Unrestricted			
Designated for capital expenditures	17,258	-	1,942,128
Undesignated	-	-	-
TOTAL NET ASSETS	\$ 18,792	\$ 42,565,896	\$ 17,678,058

Economic Development Corporation	Total Component Units
\$ 259,907	\$ 4,854,968
-	4,313,317
-	13,362
71,453	1,349,449
-	274,366
-	55,413
-	207,929
-	256,075
-	70,000
-	9,810,884
-	56,289,213
331,360	77,494,976
5,915	162,181
-	60,671
-	680,624
130,883	213,550
-	945,426
-	207,929
-	5,000
101,983	14,406,250
-	70,000
-	27
-	265,454
-	122,539
238,781	17,139,651
-	50,850,404
-	1,985,125
-	5,467,831
-	1,959,386
92,579	92,579
\$ 92,579	\$ 60,355,325

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Drainage Districts	\$ 1,403,039	\$ 100,446	\$ -	\$ 86,908	\$ (1,215,685)
Board of Public Works	573,037	-	505,837	-	(67,200)
Economic Development Corp.	358,531	31,604	194,812	-	(132,115)
Road Commission	9,330,209	1,527,083	7,555,874	1,789,835	1,542,583
TOTALS	\$ 11,664,816	\$ 1,659,133	\$ 8,256,523	\$ 1,876,743	127,583
General revenues					
Taxes					1,697,685
Investment earnings					213,664
Miscellaneous					124,174
Gain (loss) on equipment disposal					14,919
Transfers to primary government - net					(39,203)
Total general revenues and transfers					2,011,239
CHANGE IN NET ASSETS					2,138,822
Net assets, beginning of year					25,513,586
Prior period adjustments					32,702,917
Net assets, end of year					\$ 60,355,325

See accompanying notes to financial statements.

Sanilac County, Michigan
Component Unit Fiduciary Fund - Road Commission

STATEMENT OF NET ASSETS

December 31, 2004

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 12,830
Investments	3,414,506
TOTAL ASSETS	\$ 3,427,336
NET ASSETS	
Held in trust for pension benefits	\$ 3,427,336

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Pension Trust Fund - Road Commission

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2004

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 66,116
Net increase in fair value of investments	<u>346,703</u>
Net investment income	412,819
Contributions	
Employer	<u>206,374</u>
TOTAL ADDITIONS	619,193
DEDUCTIONS	
Benefit payments	<u>760,047</u>
CHANGE IN NET ASSETS	(140,854)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>3,568,190</u>
End of year	<u>\$ 3,427,336</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Sanilac, Michigan was incorporated in 1820, and covers an area of approximately 961 square miles with the County seat located in the City of Sandusky. The County operates under an elected Board of Commissioners and provides services to its more than 44,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*, and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Sanilac County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Unit

The Sanilac County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Sanilac County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

The financial statements of the Sanilac County Health Department (primary government Special Revenue Fund) are reported on the fiscal year ended September 30, 2004.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Sanilac County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Sanilac County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Sanilac County Road Commission maintains local, state, and federal trunklines within Sanilac County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are elected by the residents of the County. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and financial statements are issued under separate cover.

The financial statements of the Sanilac County Road Commission may be obtained from the administrative office of the Road Commission located at 35 N. Flynn Street, Sandusky, MI 48471.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Sanilac County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Drainage Districts come under the jurisdiction of the Sanilac County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$150,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$150,000 require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen (13) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers Federal economic development grant money which is received by the County.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the primary operating fund of the County. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

GOVERNMENTAL FUNDS - CONTINUED

- b. Health Department Fund - The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges and other local revenues.
- c. Road Millage Fund - The Road Millage Fund is used to account for the collection of a dedicated tax levy and transfers of funds to the Road Commission related to road projects.
- d. Sheriff Fund - The Sheriff Fund is used to report activities related to the Sheriff department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues that are initially reported in the General Fund and then are transferred through a County appropriation to this fund.
- e. Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Transfers are made from this fund to the General Fund to replace the State Revenue Sharing funds that have been reduced.

PROPRIETARY FUNDS

- a. Medical Care Facility Fund - The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- b. Delinquent Tax Umbrella Fund - The Delinquent Tax Umbrella Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.
- c. Delinquent Tax 2003 Fund - The Delinquent Tax 2003 Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their 2003 delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

8. Investments

Investments are reported at fair value. Investments consist of various Pension Fund securities (i.e., U.S. government securities, American depository receipts, corporate bonds, common stock, foreign stocks and bonds) and certificates of deposit with an original maturity of over 90 days. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the statement of changes in Plan Net Assets as net appreciation or depreciation in the fair value of investments.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services. Where appropriate, the estimated portion that is expected to be uncollectible is represented as an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Component Unit Road Commission governmental fund consists of various road construction and maintenance supplies and materials. These items are valued at cost determined on the average cost and specific identification methods.

11. Prepaid Expenditures

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures.

12. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated restricted donations and patient trust deposits.

13. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5000 or more and an estimated useful life of more than one year. All drain infrastructure other than routine maintenance is capitalized retroactively back to June 30, 1980 as required by GASB Statement No. 34.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Vehicles and equipment	5 - 15 years
Drain infrastructure	30 years

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT

Capital assets which include property, plant, equipment, and infrastructure assets (i.e., road, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Sanilac County Road Commission recorded a prior period adjustment to reflect the net book value of those infrastructure assets during the fiscal year ended December 31, 2004.

Depreciation is computed on the sum-of-the-years digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	5 - 30 years
Infrastructure - Bridges	12 - 50 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2004, including related payroll taxes, is recorded in the government-wide financial statements for the Primary Government and Component Units.

NOTES TO FINANCIAL STATEMENTS

December 31 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables, December 2004 current tax levy receivables, and various grant revenues recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

18. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, except that pension contributions, recorded as revenue in the Pension Trust Fund, represent remittances of required amounts from the County and employees pursuant to pension plan agreements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund provides administrative services to various funds. Amounts charged to the other funds for these services are based on the County's cost allocation plan and are treated as miscellaneous revenues in the General Fund and as operating expenditures/expenses in the other funds.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenues. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

19. Contractual Adjustments

The County records all charges for services of the primary government Medical Care Facility (Enterprise) Fund as gross charges. However, because most of the intermediaries reimburse the facilities at something less than gross charges, the underrealization of charges are recorded as contractual adjustments and deducted from gross charges as a reduction in operating income.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results.

The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds. For control purposes, all funds' budgets are maintained at the activity and account level. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations that were adopted.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes a pooled cash account for numerous funds. The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of this pooled account is included in the cash and cash equivalents caption on the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or Sanilac office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Amount</u>	<u>Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 44,980	\$ 242,706
Savings and money market accounts	6,082,663	5,936,930
Certificates of deposit	<u>959,820</u>	<u>959,820</u>
TOTAL PRIMARY GOVERNMENT	7,087,463	7,139,456

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

<u>ACCOUNT TYPE</u>	<u>Amount</u>	<u>Balance</u>
COMPONENT UNITS		
Checking	\$ 1,097,859	\$ 1,385,639
Certificates of deposit	700,000	700,000
Savings and money market accounts	2,848,473	2,848,473
TOTAL COMPONENT UNITS	<u>4,646,332</u>	<u>4,934,112</u>
TOTAL REPORTING ENTITY	<u>\$11,733,795</u>	<u>\$12,073,568</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2004, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,790,669 and the amount of \$10,282,899 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2004, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount/ Fair Value</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent not in the County's name	
U.S. Government securities	\$ 4,389,046
Uninsured and unregistered for which the securities are held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name	
American depository receipts	5,775,838
Corporate bonds	5,723,446
Common stock	6,897,259
Uncategorized pooled investment funds	<u>2,146,278</u>
Total primary government	<u>24,931,867</u>
COMPONENT UNITS	
Uncategorized pooled investment funds	
Road Commission	
Pension Trust	3,427,336
General Operating Funds	<u>207,086</u>
Total component units	<u>3,634,422</u>
TOTAL REPORTING ENTITY	<u>\$ 28,566,289</u>

The categorized investments listed above were purchased for the County employee's Pension Trust Fund. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The uncategorized pooled investments listed above represent surplus funds invested under trust agreements with banks. The surplus funds are pooled with surplus funds of other local units of government, which the banks invest and hold in trust. Separate accounts designated by the County's name and number are maintained by the trustee banks. The nature of these investments do not allow for risk categorization, which is in accordance with GASB Statement #3.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the applicable balance sheet/statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,400,548	\$ 4,854,968	\$ 1,382,414	\$ 11,637,930
Cash and cash equivalents - Restricted	29,032	-	-	29,032
Investments	<u>359,263</u>	<u>-</u>	<u>28,346,373</u>	<u>28,705,636</u>
	<u>\$ 5,788,843</u>	<u>\$ 4,854,968</u>	<u>\$ 29,728,787</u>	<u>\$ 40,372,598</u>

The primary government cash and cash equivalents reported amounts are different than the book and bank balance analysis by \$56,754 due to the Health Department (Special Revenue Fund) being reported in the financial statements as of September 30, 2004, but in the analysis above as of December 31, 2004. The primary government cash and cash equivalents caption on the applicable balance sheet/statement of net assets also include \$14,210 in imprest cash. The component unit cash and cash equivalents caption on the applicable balance sheet /statement of net assets includes \$1,550 in imprest cash.

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(630,803)	\$ 1,230,134	\$ 599,331
Special Revenue Funds			
Friend of the Court	(122,100)	300	(121,800)
Health Department	(218,139)		(159,549)
H.S.L.E.S.	(12,384)	-	(12,384)
R.O.D. Automation	(22,295)	33,548	11,253
Drug Law Enforcement	(45,491)	189,441	143,950
Secondary Road Patrol	(23,301)	-	(23,301)
Contractual Road Patrol	(6,640)	-	(6,640)
Crime Victims Rights	(11,580)	-	(11,580)
Community Corrections	(18,313)	-	(18,313)
Remonumentation Program	(9,824)	-	(9,824)
Great Parents	(2,672)	-	(2,672)
Children's Trust	(14,218)	-	(14,218)
Parks and Recreation	(19,149)	24,342	5,193

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT - CONTINUED

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT - CONTINUED			
Enterprise Funds			
Medical Care Facility	\$(295,954)	\$ 559,924	\$ 263,970
Internal Service Funds			
Central Stores	(1,564)	-	(1,564)
Health Insurance	(52,892)	-	(52,892)
Debt Service Funds			
Health Department Construction	(619)	17,278	16,659
Trust and Agency			
Trust and Agency	<u>(45,393)</u>	<u>261,756</u>	<u>216,363</u>
TOTAL PRIMARY GOVERNMENT	(1,553,331)	2,316,723	821,982
COMPONENT UNIT			
Drainage Districts			
White Rock-Construction/Maintenance	(1,786)	53,142	51,356
Black River	<u>(119)</u>	<u>222,139</u>	<u>222,258</u>
TOTAL COMPONENT UNIT	<u>(1,905)</u>	<u>275,281</u>	<u>273,614</u>
TOTAL REPORTING ENTITY	<u>\$(1,555,236)</u>	<u>\$ 2,592,004</u>	<u>\$ 1,095,596</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

In the government-wide Statement of Net Assets, all interfund receivables and payables between individual governmental funds, business type funds, and components unit funds have been eliminated. The following schedule details the remaining interfund receivables and payables at December 31, 2004:

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
Due from other funds		Due to other funds	
Governmental Activities		Governmental Activities	
Health Department	\$ 65,081	General Fund	\$ 97,088
		Other non-major funds	9
Business-type Activities			
Delinquent Tax Umbrella	60,000		
Other non-major funds	<u>37,097</u>		
Totals Primary Government	<u>\$ 162,178</u>		<u>\$ 97,097</u>
COMPONENT UNITS		PRIMARY GOVERNMENT	
Due from Primary Government		Due to Component Units	
Drainage Districts	\$ 256,075	Governmental Activities	
		General Fund	\$ 256,075
Totals Component Units	<u>\$ 256,075</u>		<u>\$ 256,075</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
Advances to other funds		Advances from other funds	
Business-type Activities		Governmental Activities	
Delinquent Tax Umbrella	\$ 189,494	Internal Service Funds	\$ 189,494
PRIMARY GOVERNMENT		COMPONENT UNITS	
Advances to Component Units		Advances from primary government	
General Fund	\$ 122,539	Drainage Districts	\$ 122,539

The difference of \$65,081 in the due from other funds and due to other fund balances in the Primary Government area is due to the Health Department Fund being reported as of September 30, 2004, and the other funds being reported as of December 31, 2004.

NOTE E: INTERFUND TRANSFERS

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the government-wide Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component unit funds have been eliminated.

<u>Fund</u>	<u>Primary Government</u>		<u>Component Units</u>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers from Component Units</u>	<u>Transfers to Primary Government</u>	<u>Transfers from Primary Government</u>	<u>Transfers to Component Units</u>
Primary Government						
General Funds	\$ 683,309	\$ 4,990,321	\$ 39,203	\$ -	\$ -	\$ -
Health Department	183,932	-	-	-	-	-
Sheriff	2,466,753	7,270	-	-	-	-
Revenue Sharing Reserve	-	518,264	-	-	-	-
Non-major governmental funds	958,062	500,958	-	-	-	-
Internal Service Funds	1,774,804	27,600	-	-	-	-
Delinquent Tax Umbrella	612,856	276,675	-	-	-	-
Non-major business-type funds	403,715	778,422	-	-	-	-
Component Units						
Drainage Districts	-	-	184,932	39,203	-	184,932
	<u>\$ 7,082,891</u>	<u>\$ 7,099,510</u>	<u>\$ 224,135</u>	<u>\$ 39,203</u>	<u>\$ -0-</u>	<u>\$ 184,932</u>

The difference of \$16,619 is due to the Health Department Fund being reported as of September 30, 2004 and the other funds being reported as of December 31, 2004.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

PRIMARY GOVERNMENT

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
GOVERNMENTAL ACTIVITIES				
Land and improvements	\$ 183,918	\$ -	\$ -	\$ 183,918
Buildings and improvements	6,892,373	38,281	-	6,930,654
Vehicles	927,500	74,873	(65,525)	936,848
Equipment	<u>2,465,303</u>	<u>168,111</u>	<u>(72,819)</u>	<u>2,560,595</u>
Total at historical cost	10,469,094	281,265	(138,344)	10,612,015
Less accumulated depreciation	<u>(4,514,807)</u>	<u>(468,826)</u>	<u>118,027</u>	<u>(4,865,606)</u>
Capital assets, net	<u>\$ 5,967,814</u>	<u>\$ (187,561)</u>	<u>\$ (20,317)</u>	<u>\$ 5,746,409</u>
BUSINESS TYPE ACTIVITIES				
Land	\$ 90,379	\$ -	\$ -	\$ 90,379
Buildings and improvements	3,549,924	183,885	-	3,733,809
Equipment	<u>911,616</u>	<u>42,320</u>	<u>(28,070)</u>	<u>925,866</u>
Total at historical cost	4,551,919	226,205	(28,070)	4,750,054
Less accumulated depreciation	<u>(2,698,290)</u>	<u>(237,844)</u>	<u>28,070</u>	<u>(2,908,064)</u>
Capital assets, net	<u>\$ 1,853,629</u>	<u>\$ (11,639)</u>	<u>\$ -0-</u>	<u>\$ 1,841,990</u>

COMPONENT UNITS

DRAINAGE DISTRICTS				
Drains	\$ 23,736,633	\$ 423,501	\$ -	\$ 24,160,134
Less accumulated depreciation	<u>(8,591,782)</u>	<u>(805,336)</u>	<u>-</u>	<u>(9,397,118)</u>
Capital assets, net	<u>\$ 15,144,851</u>	<u>\$ (381,835)</u>	<u>\$ -0-</u>	<u>\$ 14,763,016</u>
ROAD COMMISSION				
Land and improvements	\$ 66,903	\$ -	\$ -	\$ 66,903
Buildings	429,111	-	-	429,111
Equipment	7,346,773	492,856	(568,781)	7,270,848
Construction in progress	-	82,375	-	82,375
Infrastructure (roads, bridges)	54,972,061	4,850,171	(824,995)	58,997,237
Depletable assets	<u>55,450</u>	<u>-</u>	<u>-</u>	<u>55,450</u>
Totals at historical cost	62,870,298	5,425,402	(1,393,776)	66,901,924
Less accumulated depreciation	<u>(23,375,865)</u>	<u>(3,175,243)</u>	<u>1,175,381</u>	<u>(25,375,727)</u>
Capital assets, net	<u>\$ 39,494,433</u>	<u>\$ 2,250,159</u>	<u>\$ (218,395)</u>	<u>\$ 41,526,197</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2004:

	Restated Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Dec. 31, 2004</u>	Amounts Due within <u>One Year</u>
PRIMARY GOVERNMENT					
General Long-Term Debt					
Direct County Obligations	\$ 3,420,000	\$ -	\$ 190,000	\$ 3,230,000	\$ 200,000
Pension liability	479,161	12,404	-	491,565	-
Accumulated vacation and sick	694,480	3,564	-	698,044	-
	4,593,641	15,968	190,000	4,419,609	200,000
Proprietary Fund Types					
Internal Service Funds					
Data Processing Fund					
Capital lease	14,118	-	4,313	9,805	5,121
Enterprise Funds					
Delinquent Tax Funds					
Tax notes payable - Series 2003	903,000	-	903,000	-	-
Tax notes payable - Series 2004	-	2,150,000	1,400,000	750,000	750,000
Medical Care Facility					
Accumulated vacation and sick	126,142	1,828	-	127,970	-
TOTAL PRIMARY GOVERNMENT	5,636,901	2,167,796	2,497,313	5,307,384	955,121
COMPONENT UNITS					
Board of Public Works					
Water system bonds	9,305,000	1,040,884	535,000	9,810,884	565,000
Drainage Districts					
Special assessment bonds	2,560,000	-	400,000	2,160,000	405,000
Special assessment notes	1,274,750	-	217,875	1,056,875	217,875
Section 434 notes	1,197,502	433,500	354,494	1,276,508	325,533
Total Drainage Districts	5,032,252	433,500	972,369	4,493,383	948,408
Road Commission					
Capital leases payable	1,011,330	360,007	425,911	945,426	454,425
Accumulated vacation and sick	1,030,470	-	349,846	680,624	317,137
Total Road Commission	2,041,800	360,007	775,757	1,626,050	771,562
Economic Development Corporation					
Land loan	101,983	-	-	101,983	-
TOTAL COMPONENT UNITS	16,481,035	1,834,391	2,283,126	16,032,300	2,284,970
TOTAL REPORTING ENTITY	\$22,117,936	\$ 4,002,187	\$ 4,780,439	\$21,339,684	\$ 3,240,091

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct County Obligations - County Building Authority Bonds

The Sanilac County Board of Commissioners is party to long-term lease agreements for rental of the Medical Care Facility, Jail and Health Department buildings from the Sanilac County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2004 are as follows:

\$1,350,000 Sanilac County Building Authority Bonds (Medical Care Facility Project) - Series 1995, dated February 1, 1995, due in annual installments ranging from \$35,000 to \$105,000 through October 1, 2020, with interest ranging from 4.40 to 5.50 percent, payable semi-annually.	\$ 1,070,000
\$1,175,000 Sanilac County Building Authority Bonds (Jail Project Refunding Bonds) - Series 2003 dated July 30, 2003, due in annual installments ranging from \$65,000 to \$105,000 through September 1, 2017, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.	1,110,000
\$1,215,000 Sanilac County Building Authority Bonds (Health Project Refunding Bonds) - Series 2002 dated August 1, 2002, due in annual installments ranging from \$80,000 to \$125,000 through January 1, 2014, with interest ranging from 4.00 percent to 4.30 percent, payable semi-annually.	<u>1,050,000</u>
	<u>\$ 3,230,000</u>

Advance Refundings - Prior

On August 1, 2002, the County defeased the balance of the 1995 Building Authority Bonds (Health Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2002 Building Authority Refunding Bonds (Health Project) in the amount of \$1,215,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2004, bonds due and payable for the 1995 Building Authority Bonds (Health Project) in the amount of \$985,000 are considered defeased.

On July 30, 2003, the County defeased the balance of the 1996 Building Authority Bonds (Jail Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2003 Building Authority Refunding Bonds (Jail Project) in the amount of \$1,175,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2004, bonds due and payable for the 1996 Building Authority Bonds (Jail Project) in the amount of \$1,035,000 are considered defeased.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG TERM DEBT - CONTINUED

Pension Liability

The pension liability represents the cumulative difference between the annual required employer contributions (per actuary reports) and the actual contributions made to the retirement system by the County. This amount of \$491,565 is reflected as a noncurrent liability in the statement of net assets.

Accumulated Vacation and Sick

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$826,014 for vacation and sick at December 31, 2004. This amount has been reported as a noncurrent liability in the statement of net assets.

Capital Lease

The County purchased recording equipment under a capital lease agreement. The cost of equipment under this lease agreement was \$23,643. The asset and liability has been recorded in the Data Processing (Internal Service) Fund. The following is a summary of future payment requirements on this lease.

<u>Due</u> <u>September 1,</u>	<u>Amount Due</u>
2005	\$ 5,562
2006	<u>5,562</u>
	11,124
Less: interest	<u>(1,319)</u>
	<u>\$ 9,805</u>

Delinquent Tax Notes

The County purchases from the other local taxing authorities the face value of real property taxes that become delinquent each year. To fund this purchase, each year the County issues delinquent tax notes for which the subsequent collections of the delinquent taxes are used as collateral for payment of the notes. The activity related to issuance and payment of this debt is recorded in the applicable Delinquent Tax (Enterprise) Fund.

Delinquent tax notes payable at December 31, 2004 are as follows:

\$2,150,000 Sanilac County Limited Tax General Obligation Tax Note, Series 2004, dated June 10, 2004, principal amounts ranging from \$175,000 to \$350,000 due monthly beginning on June 15, 2004, with interest rates ranging from 1.89% to 3.31%, payable monthly.

\$ 750,000

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water System Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2004, for the water system construction projects are as follows:

\$1,030,000 Sanilac County Water System Improvements Project Bonds - Series 1998 (Townships of Lexington and Worth), dated October 1, 1998, due in annual installments ranging from \$40,000 to \$75,000 through May 1, 2018, with interest ranging from 4.40 percent to 5.05 percent, payable semi-annually.	\$ 860,000
\$8,225,000 Sanilac County Water System Improvement Project Bonds - Series 2000A (Township of Worth), dated March 1, 2000, due in annual installments ranging from \$425,000 to \$450,000 through May 1, 2020, with interest ranging from 5.625 to 6.10 percent, payable semi-annually.	6,950,000
\$950,000 Sanilac County Water System Improvements Project Bonds - Phase II - Series 2001 (Township of Worth), dated December 1, 2001, due in annual installments of \$50,000 through May 1, 2020, with interest ranging from 4.70 percent to 5.30 percent, payable semi-annually.	800,000
\$200,000 Sanilac County Brown City Water Tower Rehabilitation Project Bonds, Series 2002, dated September 1, 2002, due in annual installments of \$20,000 through March 1, 2012, with interest at 3.35 percent, payable semi-annually.	160,000
\$1,065,000 Sanilac County Drinking Water Revolving Project Bonds, dated June 24, 2004, due in annual installments ranging from \$25,000 to \$50,000 through April 1, 2034, with interest at 2.125 percent, payable semi-annually.	<u>1,040,884</u>
	<u>\$ 9,810,884</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit for the following drain bonds and notes. These projects are administered by the Sanilac County Drain Commission for various local drainage districts.

The drain bonds and notes were issued to finance the various construction funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Bonds and notes payable at December 31, 2004, per respective drain projects serviced from the Component Unit Funds are as follows:

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

Special Assessment Bonds

\$2,555,000 Duff and Branches Drain Bonds dated January 1, 1999, due in annual installments ranging from \$135,000 to \$230,000 through June 1, 2014, with interest ranging from 4.00 percent to 6.00 percent, payable semi-annually. \$ 1,905,000

\$645,000 E. Branch of Speaker and Maple Valley Drain Bonds dated May 1, 2000, due in annual installments of \$130,000 through June 1, 2005, with interest ranging from 5.10 percent to 5.20 percent, payable semi-annually. 130,000

\$940,000 Potts Drain Bonds dated March 1, 1995, due in annual installments of \$125,000 through June 1, 2005, with interest ranging from 5.80 percent to 5.90 percent, payable semi-annually. 125,000

\$ 2,160,000

Special Assessment Notes

\$560,000 Turtle Creek and Branches drain note dated January 20, 1998, due in annual installments of \$56,000 through June 20, 2007, with interest at 5.125 percent, payable semi-annually. \$ 168,000

\$510,000 White Rock Creek Intercounty Drainage District drain note dated February 1, 1998, due in annual installments of \$51,000 through August 1, 2007, with interest at 5.25 percent, payable semi-annually. 153,000

\$745,000 Stone drain note dated September 11, 2003, due in annual installments of \$60,000 to \$65,000 through June 1, 2015, with interest at 4.25 percent, payable semi-annually. 685,000

\$407,000 Dwight and Branches drain note dated January 18, 1998, due in annual installments of \$50,875 through July 18, 2005, with interest at 4.875 percent, payable semi-annually. 50,875

\$ 1,056,875

Various section 434 drain notes due in various annual installments and interest rates through 2013. \$ 1,276,508

COMPONENT UNIT - ROAD COMMISSION

Capital Leases

The Road Commission has entered into various capital lease agreements for the purchase of various equipment. The cost of equipment purchased under these capital leases totaled \$1,773,884.

The following is a summary of future payment requirements on these leases.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Capital Leases - continued

<u>Due Year Ending December 31,</u>	<u>Amount Due</u>
2005	\$ 485,334
2006	244,384
2007	55,680
2008	<u>218,010</u>
	1,003,408
Less: interest	<u>(57,982)</u>
	<u>\$ 945,426</u>

Accumulated Vacation and Sick

In accordance with Road Commission personnel policies and/or contracts negotiated with various employee groups of the Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$680,624 for vacation and sick at December 31, 2004, of which \$317,137 has been reported as a current liability and \$363,487 has been reported as a noncurrent liability in the Statement of Net Assets.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

<u>Year Ending December 31,</u>	<u>Primary Government</u>	<u>Component Units</u>			<u>Total</u>
	<u>Direct County Obligations</u>	<u>Board of Public Works Water System Bonds</u>	<u>Drainage Districts Bond and Drain Notes</u>	<u>Economic Development Corporation Land Loan</u>	
2005	\$ 335,064	\$ 1,021,655	\$ 1,112,797	\$ -	\$ 2,508,747
2006	343,084	1,058,994	738,044	-	2,178,175
2007	330,437	1,034,410	638,927	13,987	2,026,730
2008	337,582	981,687	507,152	13,987	1,862,601
2009	334,019	979,869	408,582	13,987	1,736,457
2010-2014	1,849,864	4,496,482	1,766,948	69,936	8,183,230
2015-2019	861,515	3,743,952	66,381	4,125	4,675,973
2020-2024	<u>110,775</u>	<u>935,294</u>	<u>-</u>	<u>-</u>	<u>1,046,069</u>
	4,502,340	14,252,343	5,238,831	116,022	24,231,969
Less: interest	<u>(1,272,340)</u>	<u>(4,441,459)</u>	<u>(745,448)</u>	<u>(14,039)</u>	<u>(6,595,719)</u>
	<u>\$ 3,230,000</u>	<u>\$ 9,810,884</u>	<u>\$ 4,493,383</u>	<u>\$ 101,983</u>	<u>\$17,636,250</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: EMPLOYEE RETIREMENT SYSTEM**RETIREMENT SYSTEM - COUNTY GENERAL**

The County contributes to the Sanilac County Employee Retirement Plan and Trust (the Plan), which is a single-employer public employee retirement systems (PERS). The PERS is considered part of the County of Sanilac financial reporting entity and is included in the County's primary government financial statements as a pension trust fund. A stand-alone financial report for the Plan has not been issued.

On October 1, 1997, the Sanilac County Community Mental Health Authority (the "Authority") was formed as an entity legally separate from Sanilac County. The Authority received separately audited financial statements; however, the pension plan assets and liabilities of the Authority were not transferred from the County's pension plan into a separate plan for the Authority employees. As a result, disclosures related to the County's pension plan remain presented as a single employer plan; however, information regarding the benefit provisions, pension costs, and pension obligation is reported net of the Authority. That is, the numbers presented for the aforementioned items relate only to Sanilac County employees.

All active employees working at least 1,000 hours per year, who agree to make mandatory contributions as specified by the Plan document, (except for certain participants) become a participant on the date of hire. At least 50% of the participant's compensation must come from County funds and the participant must be an employee of the County for Plan A, an employee of the Health Department for Plan B, an employee of the Parks Department for Plan C, an employee of the Sheriff Department for Plan E, and an employee of the Medical Care Facility for Plan F.

Membership of the plan consisted of the following at December 31, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	130
Inactive plan members	45
Active plan members	<u>412</u>
Total	<u><u>587</u></u>

NORMAL RETIREMENT BENEFIT**Eligibility**

Benefits vest after ten (10) years of service for employees hired after the year 2000. General County and Parks Department employees may retire at age fifty-five (55) with the completion of twenty-five (25) years of credited service. Sheriff department employees may retire at age fifty (50) with completion of twenty-five (25) years of credited service. All other plan employees may retire at age sixty (60) with at least eight (8) years of credited service.

Benefit

Average compensation means compensation converted to a monthly amount and then averaged over the five consecutive total of years of service, which produce the highest monthly average within the last ten completed years of employment.

The normal retirement benefit for the Sheriff's Department bargaining unit, County Sheriff and County Under-Sheriff is calculated based upon 2.5% of average compensation multiplied by total years of credited service. The normal retirement benefit for elected and appointed officials is calculated based on 2.1% of average compensation multiplied by total years of credited service. The normal retirement benefit for other County personnel is calculated based upon 2% of average compensation multiplied by total years of credited service.

Accrued benefit is payable immediately without any actuarial reductions in monthly benefit. Accrued benefit is defined as a percentage of the benefit projected at normal retirement, which accrues for each year of service a participant is in the plan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

DISABILITY BENEFIT

Eligibility

Plan participants who are totally and permanently disabled and have ten (10) years of credited service may receive benefits.

Benefit

Computed in the same manner as Normal Retirement Benefit and then reduced for an early retirement start date.

PRE-RETIREMENT DEATH BENEFIT

Eligibility

Death before retirement after completion of eight (8) years of credited service.

Benefit

Computed in the same manner as Normal Retirement Benefit based on credited service at date of death. Benefit is payable to the beneficiary for a period not to exceed 120 months.

These benefit provisions and all other requirements were established and may be amended by the County Board of Commissioners.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The County's contributions to the Plan are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities that are traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price.

The differences between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the Statement of Changes in Plan Net Assts as net appreciation or depreciation in the fair value of investments.

Administrative Expenses

The Plan is administered by Sanilac County. The County has hired a third party to perform many of the administrative functions of the Plan. Administrative expenses, such as trustee fees, investment counseling, and actuarial fees, are paid by the Plan.

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Sanilac County Retirement Board. Members of the Public Health and Medical Care Facility groups, as well as POAM/COAM members hired after December 31, 1999, and District and Probate Court members hired after May 31, 2002, are required to contribute 5% of their annual covered salary. Members of the General Union and Friend of the Court hired after June 30, 2002, are required to contribute 3.75% of their annual salary. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost and Net Pension Obligation

The County's annual pension costs and net pension obligation for the current year were as follows:

Net pension asset (obligation), beginning of year (restated)	\$(479,161)
Annual pension cost (required contribution)	(1,215,250)
Contributions made	<u>1,202,846</u>
 Net pension asset (obligation), end of year	 <u><u>\$(491,565)</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the individual entry age actuarial cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5% per year, compounded annually for inflation and merit and longevity pay ranging from 0 to 3.7%, and (c) the assumption that benefits will not increase after retirement.

The unfunded actuarial accrued liability is amortized as a level percent of payroll on a closed basis with a remaining amortization period of 20 years. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/01	20,315,715	27,312,973	6,997,259	74.4 %	11,497,521	60.9 %
12/31/02	21,318,386	29,313,364	7,994,928	72.7 %	11,747,531	68.1 %
12/31/03	22,943,915	32,123,989	9,180,074	71.4 %	12,511,291	73.4 %

NOTE: Amounts presented above include information for the Sanilac County Mental Health Authority. Separate information for the County and the Authority were not available.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended Dec. 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2002	1,123,312	92.4 %	(507,162)
2003	1,147,267	102.4 %	(479,161)
2004	1,215,250	99.0 %	(491,565)

RETIREMENT SYSTEM - ROAD COMMISSION

PLAN DESCRIPTION

The Road Commission has a master single employer defined contribution plan called The Sanilac County Money Purchase Plan. This defined contribution plan is administered by Pension Plan Services, Inc. and is available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

Plan provisions require that the Road Commission contribute 8 percent of each active participant's compensation and do not allow for participant contributions. The Road Commission's contributions for each employee (and earnings allocated to the employee's account) are vested at the rate of 20 percent upon completing 2 years of service, plus an additional 20 percent for each year of the next 4 years of service. Road Commission contributions for and interest forfeited by employees who leave employment before full vesting are used to reduce the Road Commission's current period contribution requirement. The plan uses the accrual basis of accounting with investments stated at market.

The Road Commission's total payroll for the year ended December 31, 2004 was \$2,616,157. The Road Commission's contributions were calculated using the covered compensation amount of \$2,579,675. The Road Commission made the required contribution amounting to \$206,374.

NOTE I: RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Municipal Risk Management Authority (the Authority). All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$100,000 per claim are paid from the net contribution account of the County held by the Authority. In addition, after meeting certain deductible requirements, all vehicle claims up to \$15,000 per vehicle and up to \$30,000 per occurrence and property and crime claims up to \$10,000 are also paid from the County's contribution account. The Authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$10,000,000.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

The County's insurance administrator may make additional assessments to its member participants based upon the results of insurance pools operations. There were not reductions in the County's insurance coverage from the prior year. The County's policy is to recognize the annual contribution to the Authority as an expenditure of the General Fund and Motor Pool Internal Service Fund.

In accordance with Governmental Accounting Standards Board Statement No. 10, the County determines an estimated claims liability that includes expected losses from reported claims and an amount for incurred but not reported claims. The County relies on their insurance administrator's calculations of both types of claim liabilities. The County has determined the estimated claims liability net of a cash balance in the Retention Fund to be immaterial.

COMPONENT UNIT

Road Commission

Sanilac County Road Commission is member of the Michigan County Road Commission Self Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Sanilac County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2004, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

NOTE J: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J: CONTINGENT LIABILITIES - CONTINUED

In the normal course of operations, there are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County management and legal counsel to be immaterial.

A substantial portion of the Medical Care Facility and Health Department's total patient revenues are for services provided to Medicare and Medicaid patients. Payments for these services are based upon allowable services and costs incurred and are subject to final audit by the intermediaries.

NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

Although the County's 2004 ad valorem tax is levied and collectible on December 31, 2004, it has been the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations. However, beginning with the County's 2004 tax levy, one third of the General Fund levy has been recognized as revenue in the Revenue Sharing Fund per State statute.

The 2004 taxable value of Sanilac County amounted to \$1,189,570,329 on which ad valorem taxes levied consisted of 4.1026 mills for general operations, .2 mills for Council on Aging, .192 mills for Ambulance services, and 1.9213 mills for the Roads, .4885 mills for drug law enforcement, .1954 mills for Parks, .2 mills for County Library, .125 mills for Veterans, and .2 mills for MCF maintenance of effort.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund and applicable Special Revenue Funds, with the exception of the amounts recognized as revenue in 2004 as described above.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE L: PRIOR PERIOD ADJUSTMENTS - GOVERNMENT WIDE STATEMENTS

The following prior period adjustments were made during the year, which were the result of the correction of accounting errors. These adjustments were reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	December 31, <u>2004</u>	<u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental activities			
Capital assets, net	\$ -	\$(13,527)	To correct recording of
Net assets - beginning	(13,527)	-	capital assets, net
COMPONENT UNITS			
Road Commission			
Capital assets, net	-	32,230,470	To correct understated
Net assets - beginning	32,230,470	-	capital assets, net
Drainage Districts			
Capital assets, net	-	(527,553)	To correct recording of
Net assets - beginning	(527,553)	-	capital assets, net

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2004, the County incurred expenditures in the General Fund and two (2) major Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and Welfare			
MSHDA grant program	\$ -	\$ 65,030	\$ 65,030
Special Revenue Funds			
Health Department Fund	1,902,986	2,045,776	142,790
Revenue Sharing Reserve Fund	-	518,264	518,264

The variance in the General Fund (Health and Welfare) is due to an audit entry to record the gross revenue and expenditure related to grant fund activity passed through to a subrecipient. The variance in the Special Revenue Fund (Revenue Sharing Reserve) resulted from not adopting a budget for this fund due to State statute changes requiring this fund close to year end.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2004:

PRIMARY GOVERNMENT

General Fund	
Reserved for prepaids	\$ 1,623
Reserved for advances to other funds	<u>122,539</u>
	124,162
Health Department	
Reserved for prepaids	2,579
Sheriff	
Reserved for prepaids	2,529
Other Non-Major Funds	
Special Revenue Funds	
Drug Enforcement Unit	
Reserved for prepaids	4,222
Friend of the Court	
Reserved for prepaids	5,361
Veterans Millage	
Reserved for prepaids	1,091
C.O.P.S. Grant	
Reserved for prepaids	375
Secondary Road Patrol	
Reserved for prepaids	382
Crime Victim's Rights	
Reserved for prepaids	30
Community Corrections	
Reserved for prepaids	20
Child Care	
Reserved for prepaids	940
Parks and Recreation	
Reserved for prepaids	2,771
Sheriff Commissary	
Reserved for prepaids	19,517
Debt Service Funds	
Building Authority	
Reserved for debt service	1,529
Health Department Building	
Reserved for debt service	16,521
Reserved for prepaids	111,363
Jail Building	
Reserved for debt service	3
Medical Care Facility Building	
Reserved for debt service	18,354
Total Non-Major Funds	<u>182,479</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 311,749</u>

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are fund balance designations as of December 31, 2004:

PRIMARY GOVERNMENT	
Other Non-Major Funds	
Special Revenue Funds	
Drug Enforcement Unit	
Designated for specific purposes	\$ 45,543
Central Dispatch	
Designated for 911 wireless activities	<u>130,742</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 176,285</u>

NOTE O: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of December 31, 2004:

PRIMARY GOVERNMENT	
Governmental Activities	
Restricted for capital improvements	
Equipment	\$ 29,940
Restricted for debt service	
Building Authority	1,529
Health Department Building	16,521
Jail Building	3
Medical Care Facility Building	<u>18,354</u>
	36,407
Restricted for other purposes	
General Government	
Revenue Sharing Reserve	1,080,351
Register of Deeds - Automation	11,908
County Library	765
Homestead Property Tax	170
Public Communications	<u>562</u>
	1,093,756
Judicial	
Family Counseling	24,109
Law Library	14
Crime Victim's Rights	<u>468</u>
	24,591

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE O: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Restricted for other purposes

Public Works

Road Millage	\$ 13,231
Soil Erosion and Sedimentation	7,249
Environmental Trust	80,736
Solid Waste Grant	3,833
Material Recovery	42,997
Public Improvement	<u>1</u>

148,047

Public Safety

Sheriff	11,328
Drug Enforcement Unit	45,543
Hunters Safety	3,008
Law Enforcement	5,681
C.O.P.S. Grant	29,939
Shooting Target Range	7,091
Drug Law Enforcement	143,950
Secondary Road Patrol	6,932
Contractual Patrol	1,316
U.S. Marshall	34,537
Community Corrections	2,019
Byrne Memorial	4,857
Michigan Justice Training	5,346
Sheriff Commissary	59,846
Central Dispatch	143,554
H.S.L.E.S.	509
Jail Maintenance	<u>1,764</u>

507,220

Health and Welfare

Health Department	51,497
County Ambulance	2,294
Veterans Millage	21,209
Revolving Loan	324,620
Strong Families Project	7,442
Children's Trust	1,375
Child Care Grant	2,556
F.I.A.	34,231
Child Care	76,288
Veterans Trust	773
Maintenance of Effort	53,330
Senior Citizen Council on Aging	<u>19,927</u>

595,542

Recreation and Cultural

Parks and Recreation	(29,382)
Forester Park Water	<u>12,670</u>

(16,712)

Total restricted for other purposes

2,352,444

Sanilac County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE O: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Total Governmental Activities	\$ 2,418,791
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Business-type activities

Restricted for debt service

Delinquent Tax 2003	<u>372,776</u>
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TOTAL PRIMARY GOVERNMENT	<u>\$ 2,791,567</u>
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COMPONENT UNITS

Restricted for capital improvements

Drainage Districts

Regular Drains	\$ 747,425
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Maintenance Revolving	74,296
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Elk Creek	96,785
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Middle & Branches	73,299
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Dwight & Branches	65,887
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White Rock	51,356
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Potts & Branches	30,842
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Black River	369,129
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Duff & Branches	333,466
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E. Branch & Speaker	62,728
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Stone	<u>36,915</u>
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1,942,128

Board of Public Works

Brown City Water Tower	11,964
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Worth Phase II Water	<u>5,294</u>
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17,258

1,959,386

Restricted for debt service

Drainage Districts

Turtle Creek	172,349
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Dwight & Branches	60,030
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White Rock	40,293
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Potts & Branches	213,477
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Duff & Branches	717,595
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E. Branch Speaker Maple	178,330
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Regular Drains	3,953,513
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Stone Drain	<u>130,710</u>
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5,466,297

Board of Public Works

Worth Phase II Water	1,365
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Lex. Worth Water	<u>169</u>
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1,534

5,467,831

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE O: RESTRICTED NET ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

Restricted for other purposes

Road Commission

Restricted for road projects

\$ 1,985,125

TOTAL COMPONENT UNITS

\$ 9,412,342

NOTE P: FUND DEFICIT

The following fund had an unreserved fund deficit at December 31, 2004.

<u>Fund</u>	<u>Deficit Amount</u>
Parks and Recreation	\$ 29,382

NOTE Q: POST-EMPLOYMENT HEALTH BENEFITS

PRIMARY GOVERNMENT

In addition to the pension benefits described in Note H, the County provides post-retirement health care benefits, in accordance with union contracts and board resolution, to elected and appointed officials and to members of certain union groups. The County reimburses 100% of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Retirees eligible to participate in the health insurance plan who elect not to participate receive 50% of the annual premium cost in lieu of health coverage.

The County has established an Internal Service Fund to account for funding and payments related to this activity. During the year ended December 31, 2004, the fund had reimbursement revenues of \$62,785 and the County also transferred \$119,506 to this fund.

COMPONENT UNIT

The Sanilac County Road Commission provides hospitalization medical coverage on a complimentary basis for any employee who retires after January 1, 1990, at age 55 with at least thirty years of service. At age 65, the employee receives supplemental coverage for himself or herself only.

For any employee who retires after age 62 and after January 1, 1990, Sanilac County Road Commission provides the retiree and his or her spouse with hospitalization medical coverage, provided however, that if the retiree's spouse, by virtue of his or her employment or otherwise, has the retiree as a covered beneficiary on his or her hospitalization medical coverage, the Road Commission will be under no obligation to provide coverage. At age 65 the retiree and or spouse coverage will be supplemental only.

The benefits are provided based on requirements of union contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2004, Sanilac County Road Commission expended \$241,559 for 33 participants currently eligible to receive benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 4,600,000	\$ 4,612,000	\$ 4,614,390	\$ 2,390
Other property taxes	5,000	5,000	5,105	105
Industrial & commercial facilities tax	13,000	13,000	13,313	313
Penalties & interest on taxes	3,000	3,000	3,980	980
Real estate transfer tax	132,000	148,900	148,984	84
Total taxes	4,753,000	4,781,900	4,785,772	3,872
Licenses and permits				
Dog licenses	72,400	85,820	85,942	122
Inspection and land use permits	329,000	391,000	390,053	(947)
Other licenses and permits	7,025	9,225	9,321	96
Total licenses and permits	408,425	486,045	485,316	(729)
Intergovernmental - Federal/State				
Emergency management	11,895	27,240	25,587	(1,653)
D.O.J. grant	-	57,937	57,911	(26)
LEPC base grant	-	-	23	23
Judges state standardization payment	137,172	137,172	137,172	-0-
Probate Judge's Salary	103,530	103,530	101,650	(1,880)
Juvenile Court Admin. Supplement	27,317	27,317	27,317	-0-
State aid - case flow assistance	11,700	11,700	10,441	(1,259)
State grant - court equity	205,000	205,000	230,132	25,132
Cooperative reimbursement - Prosecutor	66,700	57,000	55,608	(1,392)
MSHDA grant	-	-	65,030	65,030
Cigarette tax revenue	20,000	25,619	25,619	-0-
Voter registration applications	500	500	942	442
State revenue sharing	750,000	265,505	265,505	-0-
Single business tax	95,000	(707)	(707)	-0-
Liquor law enforcement	3,500	3,500	4,612	1,112
Homeland security grant	-	95,599	17,258	(78,341)
Convention facility tax	85,000	93,994	93,994	-0-
Other State revenues	1,550	9,399	9,424	25
Total intergovernmental - Federal/State	1,518,864	1,120,305	1,127,518	7,213

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit court costs	\$ 37,500	\$ 34,400	\$ 34,381	\$ (19)
District Court services	1,800	4,700	4,713	13
District court costs	521,500	510,500	510,916	416
Prosecuting attorney services	500	1,575	3,356	1,781
Register of deeds services	311,850	242,257	244,413	2,156
Register of deeds - technology	46,000	72,000	71,114	(886)
General services	125,479	159,605	170,636	11,031
County treasurer services	2,500	2,500	3,387	887
Circuit court services	1,500	1,500	1,141	(359)
County clerk services	58,500	64,700	64,740	40
Probate court services	15,000	19,300	19,387	87
Juvenile court services	21,600	17,000	16,912	(88)
Animal shelter services	5,200	5,200	8,204	3,004
Sheriff department services	85,000	95,917	97,547	1,630
Inmate work release	85,000	55,000	64,809	9,809
Diverted felons	35,000	75,000	86,086	11,086
Care of prisoners	741,000	1,047,216	1,047,130	(86)
Equalization services	3,500	3,500	2,233	(1,267)
Data processing services	62,500	67,883	67,896	13
Other	4,500	16,500	18,415	1,915
Total charges for services	2,165,429	2,496,253	2,537,416	41,163
Interest and rents				
Interest on investments	55,600	43,900	45,302	1,402
Rental fees - Mental Health	123,515	123,515	123,516	1
Rental fees - other	9,900	11,900	11,900	-0-
Total interest and rents	189,015	179,315	180,718	1,403
Fines and forfeits				
Ordinance fines and costs	24,500	17,100	17,245	145
Bond forfeitures	30,000	17,100	20,196	3,096
Total fines and forfeits	54,500	34,200	37,441	3,241
Other				
Insurance recoveries and refunds	116,590	211,342	210,916	(426)
Reimbursements and refunds	20,000	38,000	38,790	790
Total other	136,590	249,342	249,706	364
TOTAL REVENUES	9,225,823	9,347,360	9,403,887	56,527

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Delinquent Tax Umbrella	\$ 156,053	\$ 156,053	\$ -	\$ (156,053)
Environmental Trust	30,000	30,000	30,000	-0-
Material Recovery	-	53,316	53,316	-0-
Revenue Sharing Reserve	-	518,264	518,264	-0-
Tax Foreclosure	38,777	38,462	35,011	(3,451)
Data Processing	-	27,600	27,600	-0-
Other funds	12,556	23,869	19,118	(4,751)
Total operating transfers from other funds	237,386	847,564	683,309	(164,255)
Operating transfers from component units				
Drainage Districts	42,000	42,921	39,203	(3,718)
TOTAL OTHER FINANCING SOURCES	279,386	890,485	722,512	(167,973)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 9,505,209</u>	<u>\$ 10,237,845</u>	<u>\$ 10,126,399</u>	<u>\$ (111,446)</u>

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Legislative				
Board of Commissioners	\$ 97,343	\$ 91,145	\$ 84,130	\$ 7,015
General government				
Consultant	100,097	94,097	89,970	4,127
Administrator	107,359	102,776	102,776	-0-
Legal	15,000	15,000	13,035	1,965
Election	50,689	46,147	42,245	3,902
Community action	2,574	2,893	2,893	-0-
Human Resources	46,588	45,346	44,941	405
Clerk	279,149	277,901	267,065	10,836
Equalization	99,664	90,509	73,144	17,365
Prosecuting Attorney	354,293	312,608	309,673	2,935
Register of Deeds	114,075	111,794	103,731	8,063
Treasurer	187,843	184,416	177,461	6,955
Cooperative extension	148,325	135,475	132,936	2,539
Courthouse and grounds	177,470	170,398	157,578	12,820
Drain commission	134,055	133,344	130,016	3,328
Boundary commission	213	-	-	-0-
Total general government	1,817,394	1,722,704	1,647,464	75,240
Judicial				
Adult probation	6,963	6,824	5,204	1,620
Circuit Court	207,293	215,124	215,124	-0-
Circuit Court - Juvenile	203,161	211,618	211,618	-0-
District Court	367,938	361,714	356,350	5,364
Jury Board	5,594	5,482	4,869	613
Probate Court	197,832	195,274	186,326	8,948
Public guardian	55,373	55,373	49,614	5,759
Total judicial	1,044,154	1,051,409	1,029,105	22,304
Public safety				
Emergency management	30,750	195,866	117,104	78,762
Construction and land use	181,554	177,111	177,111	-0-
Planning commission	21,184	16,393	10,558	5,835
Animal control	86,261	119,224	118,640	584
Total public safety	319,749	508,594	423,413	85,181
Public works				
Department of public works	2,485	2,435	1,281	1,154
Drains - County at large	270,000	256,076	256,076	-0-
Total public works	272,485	258,511	257,357	1,154

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Health and welfare				
Contagious Disease	\$ 5,742	\$ 5,627	\$ 932	\$ 4,695
Mental Health	250,100	245,100	245,100	-0-
MSHDA housing program	-	-	65,030	(65,030)
Medical examiners	28,043	27,483	26,726	757
Total health and welfare	283,885	278,210	337,788	(59,578)
Other				
Fringe benefits	795,017	848,931	824,050	24,881
Insurance	200,000	225,000	217,501	7,499
Contingencies	65,840	607,502	-	607,502
Total other	1,060,857	1,681,433	1,041,551	639,882
TOTAL EXPENDITURES	4,895,867	5,592,006	4,820,808	771,198
OTHER FINANCING USES				
Operating transfers to other funds				
Friend of the Court Fund	70,562	84,058	46,996	37,062
Workers Compensation Fund	86,000	86,037	86,000	37
Insurance Fund	1,151,908	1,122,796	1,122,796	-0-
Employee Health Care Fund	103,246	119,506	119,506	-0-
Law Library Fund	20,200	34,396	34,396	-0-
Data Processing Fund	293,909	261,394	261,394	-0-
Building Authority - Jail Building Debt Fund	107,333	101,133	100,688	445
Health Department Fund	169,208	175,655	173,516	2,139
Child Care - F.I.A. Fund	23,500	23,030	23,030	-0-
Child Care - Probate Court Fund	432,302	423,656	319,903	103,753
Sheriff Fund	2,223,877	2,353,908	2,353,908	-0-
F.I.A Administration Fund	1,485	1,455	1,455	-0-
Mail Department Fund	2,859	2,802	2,802	-0-
ROD Automation Fund	46,000	72,000	71,114	886
General Fund Offices Fund	-	790	790	-0-
Material Recovery Fund	-	5,000	5,000	-0-
Building and Grounds Fund	-	23,821	23,821	-0-
Accumulated Benefits Fund	85,000	83,300	21,250	62,050
Central Dispatch Fund	231,956	221,956	221,956	-0-
TOTAL OTHER FINANCING USES	5,049,345	5,196,693	4,990,321	206,372
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 9,945,212</u>	<u>\$ 10,788,699</u>	<u>\$ 9,811,129</u>	<u>\$ 977,570</u>

Sanilac County, Michigan

Road Millage Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,164,150	\$ 2,164,150	\$ 2,166,699	\$ 2,549
Interest and rents	7,000	9,000	16,460	7,460
TOTAL REVENUES	2,171,150	2,173,150	2,183,159	10,009
EXPENDITURES				
Current				
Public Works	2,171,150	2,173,150	2,171,218	1,932
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	11,941	11,941
Fund balances, beginning of year	1,290	1,290	1,290	-0-
Fund balances, end of year	\$ 1,290	\$ 1,290	\$ 13,231	\$ 11,941

Sanilac County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 167,817	\$ 167,817	\$ 157,929	\$ (9,888)
Charges for services	281,474	281,474	314,504	33,030
Interest and Rents	-	-	15	15
Intergovernmental	1,183,361	1,183,361	1,522,159	338,798
Other	38,564	38,564	49,046	10,482
TOTAL REVENUES	1,671,216	1,671,216	2,043,653	372,437
EXPENDITURES				
Current				
Health and welfare	1,899,288	1,899,288	2,000,135	(100,847)
Capital outlay	3,698	3,698	45,641	(41,943)
TOTAL EXPENDITURES	1,902,986	1,902,986	2,045,776	(142,790)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(231,770)	(231,770)	(2,123)	229,647
OTHER FINANCING SOURCES (USES)				
Operating transfers in	159,268	159,268	183,932	24,664
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(72,502)	(72,502)	181,809	254,311
Fund balance (deficit), beginning of year	(127,733)	(127,733)	(127,733)	-0-
Fund balance, end of year	\$ (200,235)	\$ (200,235)	\$ 54,076	\$ 254,311

Sanilac County, Michigan

Sheriff Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 29,000	\$ 39,000	\$ 20,496	\$ (18,504)
Other	-	100	500	400
TOTAL REVENUES	29,000	39,100	20,996	(18,104)
EXPENDITURES				
Current				
Public safety	2,545,898	2,585,998	2,563,353	22,645
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,516,898)	(2,546,898)	(2,542,357)	4,541
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,428,667	2,460,068	2,466,753	6,685
Operating transfers out	(8,500)	(9,901)	(7,270)	2,631
TOTAL OTHER FINANCING SOURCES (USES)	2,420,167	2,450,167	2,459,483	9,316
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(96,731)	(96,731)	(82,874)	13,857
Fund balance, beginning of year	96,731	96,731	96,731	-0-
Fund balance, end of year	\$ -0-	\$ -0-	\$ 13,857	\$ 13,857

Sanilac County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ -	\$ -	\$ 1,598,615	\$ 1,598,615
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	1,598,615	1,598,615
OTHER FINANCING (USES)				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(518,264)</u>	<u>(518,264)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	1,080,351	1,080,351
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 1,080,351</u></u>	<u><u>\$ 1,080,351</u></u>

OTHER SUPPLEMENTARY INFORMATION

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2004

	Drug Enforcement Unit	Special County Ambulance	Friend of the Court
ASSETS			
Cash and cash equivalents	\$ 134,391	\$ 25,022	\$ (121,800)
Accounts receivable	1,157	-	-
Taxes receivable	516,997	203,809	-
Loans receivable	-	-	-
Prepaid expenditures	4,222	-	5,361
Due from other funds	-	-	-
Due from other governmental units	-	-	127,871
TOTAL ASSETS	\$ 656,767	\$ 228,831	\$ 11,432
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	22,494	-	1,422
Accrued payroll	9,645	-	4,649
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	574,863	226,537	-
TOTAL LIABILITIES	607,002	226,537	6,071
FUND BALANCES			
Reserved for			
Inventory and prepaids	4,222	-	5,361
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	45,543	-	-
Undesignated, reported in:			
Special revenue funds	-	2,294	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	49,765	2,294	5,361
TOTAL LIABILITIES AND FUND BALANCES	\$ 656,767	\$ 228,831	\$ 11,432

Revenue					
Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust	Solid Waste Grant
\$ 24,109	\$ 101,434	\$ 170	\$ 7,369	\$ 50,563	\$ 3,873
-	48,055	-	-	37,934	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 24,109</u>	<u>\$ 149,489</u>	<u>\$ 170</u>	<u>\$ 7,369</u>	<u>\$ 88,497</u>	<u>\$ 3,873</u>
-	310	-	-	7,761	40
-	5,625	-	120	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	5,935	-0-	120	7,761	40
-	-	-	-	-	-
-	-	-	-	-	-
-	130,742	-	-	-	-
24,109	12,812	170	7,249	80,736	3,833
-	-	-	-	-	-
<u>24,109</u>	<u>143,554</u>	<u>170</u>	<u>7,249</u>	<u>80,736</u>	<u>3,833</u>
<u>\$ 24,109</u>	<u>\$ 149,489</u>	<u>\$ 170</u>	<u>\$ 7,369</u>	<u>\$ 88,497</u>	<u>\$ 3,873</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Material Recovery	Special Sanilac Transportation	Public Communications
ASSETS			
Cash and cash equivalents	\$ 43,094	\$ -	\$ 562
Accounts receivable	1,000	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	<u>\$ 44,094</u>	<u>\$ -0-</u>	<u>\$ 562</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	799	-	-
Accrued payroll	298	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,097	-0-	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	42,997	-	562
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>42,997</u>	<u>-0-</u>	<u>562</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 44,094</u>	<u>\$ -0-</u>	<u>\$ 562</u>

Revenue					
Hunter's Safety	Public Improvement	Great Parents Great Start	Reg. of Deeds- Automation	Veterans Millage	Law Enforcement
\$ 3,008	\$ 1	\$ (2,672)	\$ 11,253	\$ 37,297	\$ 5,681
-	-	118	-	62	-
-	-	-	-	132,160	-
-	-	-	-	-	-
-	-	-	-	1,091	-
-	-	-	855	-	-
-	-	3,415	-	-	-
<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 861</u>	<u>\$ 12,108</u>	<u>\$ 170,610</u>	<u>\$ 5,681</u>
-	-	861	200	287	-
-	-	-	-	1,072	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	146,951	-
-0-	-0-	861	200	148,310	-0-
-	-	-	-	1,091	-
-	-	-	-	-	-
-	-	-	-	-	-
3,008	1	-	11,908	21,209	5,681
-	-	-	-	-	-
3,008	1	-0-	11,908	22,300	5,681
<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 861</u>	<u>\$ 12,108</u>	<u>\$ 170,610</u>	<u>\$ 5,681</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

		Special	
	C.O.P.S. Grant	Shooting and Target Range	Drug Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 21,974	\$ 7,516	\$ 143,950
Accounts receivable	-	239	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	375	-	-
Due from other funds	-	3	-
Due from other governmental units	8,750	-	-
TOTAL ASSETS	\$ 31,099	\$ 7,758	\$ 143,950
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 261	\$ 667	\$ -
Accrued payroll	524	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	785	667	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	375	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	29,939	7,091	143,950
Capital projects funds	-	-	-
TOTAL FUND BALANCES	30,314	7,091	143,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,099	\$ 7,758	\$ 143,950

Revenue					
Secondary Road Patrol	Contractual Patrol	ENV Prot. Thru Pollution	U.S. Marshall	Law Library	County Library
\$ (23,301)	\$ (6,640)	\$ -	\$ 26,349	\$ 937	\$ 23,966
-	-	-	-	-	-
-	-	-	-	-	208,479
-	-	-	-	-	-
382	-	-	-	-	-
-	-	-	-	-	-
31,325	7,956	-	8,221	-	-
<u>\$ 8,406</u>	<u>\$ 1,316</u>	<u>\$ -0-</u>	<u>\$ 34,570</u>	<u>\$ 937</u>	<u>\$ 232,445</u>
\$ -	\$ -	\$ -	\$ -	\$ 923	\$ -
1,092	-	-	33	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	231,680
1,092	-0-	-0-	33	923	231,680
382	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,932	1,316	-	34,537	14	765
-	-	-	-	-	-
7,314	1,316	-0-	34,537	14	765
<u>\$ 8,406</u>	<u>\$ 1,316</u>	<u>\$ -0-</u>	<u>\$ 34,570</u>	<u>\$ 937</u>	<u>\$ 232,445</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Crime Victims Rights	Special Community Corrections	Remonumentation Program
ASSETS			
Cash and cash equivalents	\$ (11,580)	\$ (18,313)	\$ (9,824)
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	30	20	-
Due from other funds	-	-	-
Due from other governmental units	12,614	20,940	9,824
TOTAL ASSETS	\$ 1,064	\$ 2,647	\$ -0-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	566	608	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	566	608	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	30	20	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	468	2,019	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	498	2,039	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,064	\$ 2,647	\$ -0-

Revenue				
Byrne Memorial	H.S.L.E.S.	Revolving Loan	Strong Families Project	Children's Trust
\$ 4,857	\$ (12,384)	\$ 326,939	\$ 6,108	\$ (14,218)
-	-	-	-	-
-	-	-	-	-
-	-	367,559	-	-
-	-	-	-	-
-	-	-	-	-
-	14,649	314	3,556	20,563
<u>\$ 4,857</u>	<u>\$ 2,265</u>	<u>\$ 694,812</u>	<u>\$ 9,664</u>	<u>\$ 6,345</u>
\$ -	\$ -	\$ 2,633	\$ 2,222	\$ 4,970
-	1,756	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	367,559	-	-
-0-	1,756	370,192	2,222	4,970
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,857	509	324,620	7,442	1,375
-	-	-	-	-
<u>4,857</u>	<u>509</u>	<u>324,620</u>	<u>7,442</u>	<u>1,375</u>
<u>\$ 4,857</u>	<u>\$ 2,265</u>	<u>\$ 694,812</u>	<u>\$ 9,664</u>	<u>\$ 6,345</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Michigan Justice Training	Special Child Care Grant	F.I.A.
ASSETS			
Cash and cash equivalents	\$ 5,418	\$ 1,700	\$ 78,159
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	1,446	16,407
TOTAL ASSETS	\$ 5,418	\$ 3,146	\$ 94,566
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 72	\$ 590	\$ 4,335
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	56,000
Deferred revenue	-	-	-
TOTAL LIABILITIES	72	590	60,335
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	5,346	2,556	34,231
Capital projects funds	-	-	-
TOTAL FUND BALANCES	5,346	2,556	34,231
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,418	\$ 3,146	\$ 94,566

Revenue				
Child Care	Veterans Trust	Maintenance of Effort	Parks and Recreation	Forester Park Water Fund
\$ 105,543	\$ 773	\$ 125,338	\$ 5,193	\$ 12,810
-	-	-	-	-
-	-	212,804	207,414	-
-	-	-	-	-
940	-	-	2,771	-
-	-	-	-	-
5,821	-	-	-	-
<u>\$ 112,304</u>	<u>\$ 773</u>	<u>\$ 338,142</u>	<u>\$ 215,378</u>	<u>\$ 12,810</u>
\$ 34,538	\$ -	\$ 48,330	\$ 8,834	\$ 140
538	-	-	2,611	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	236,482	230,544	-
35,076	-0-	284,812	241,989	140
940	-	-	2,771	-
-	-	-	-	-
-	-	-	-	-
76,288	773	53,330	(29,382)	12,670
-	-	-	-	-
<u>77,228</u>	<u>773</u>	<u>53,330</u>	<u>(26,611)</u>	<u>12,670</u>
<u>\$ 112,304</u>	<u>\$ 773</u>	<u>\$ 338,142</u>	<u>\$ 215,378</u>	<u>\$ 12,810</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Special Revenue		
	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
ASSETS			
Cash and cash equivalents	\$ 60,893	\$ 1,764	\$ 58,610
Accounts receivable	4,302	-	-
Taxes receivable	-	-	211,842
Loans receivable	-	-	-
Prepaid expenditures	19,517	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
TOTAL ASSETS	<u>\$ 84,712</u>	<u>\$ 1,764</u>	<u>\$ 270,452</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,349	\$ -	\$ 15,000
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	235,525
TOTAL LIABILITIES	5,349	-0-	250,525
FUND BALANCES			
Reserved for			
Inventory and prepaids	19,517	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	59,846	1,764	19,927
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>79,363</u>	<u>1,764</u>	<u>19,927</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 84,712</u>	<u>\$ 1,764</u>	<u>\$ 270,452</u>

Capital Project	Debt Service				
Equipment	Building Authority	Health Department	Jail Building Fund	Medical Care Facility	Non-major Gov. Funds
\$ 29,940	\$ 1,529	\$ 16,659	\$ 3	\$ 18,354	\$ 1,312,377
-	-	-	-	-	92,867
-	-	-	-	-	1,693,505
-	-	-	-	-	367,559
-	-	111,363	-	-	146,072
-	-	-	-	-	858
-	-	-	-	-	293,672
<u>\$ 29,940</u>	<u>\$ 1,529</u>	<u>\$ 128,022</u>	<u>\$ 3</u>	<u>\$ 18,354</u>	<u>\$ 3,906,910</u>
\$ -	\$ -	\$ 138	\$ -	\$ -	\$ 163,176
-	-	-	-	-	29,137
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	56,000
-	-	-	-	-	2,250,141
-0-	-0-	138	-0-	-0-	2,498,454
-	-	111,363	-	-	146,072
-	1,529	16,521	3	18,354	36,407
-	-	-	-	-	176,285
-	-	-	-	-	1,019,752
29,940	-	-	-	-	29,940
<u>29,940</u>	<u>1,529</u>	<u>127,884</u>	<u>3</u>	<u>18,354</u>	<u>1,408,456</u>
<u>\$ 29,940</u>	<u>\$ 1,529</u>	<u>\$ 16,659</u>	<u>\$ 3</u>	<u>\$ 18,354</u>	<u>\$ 3,906,910</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special		
	Drug Enforcement Unit	County Ambulance	Friend of the Court
REVENUES			
Taxes	\$ 550,662	\$ 216,383	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	392,025
Charges for services	-	-	37,838
Fines and forfeits	-	-	-
Interest and rents	3,025	1,504	-
Other	92	-	-
TOTAL REVENUES	553,779	217,887	429,863
EXPENDITURES			
Current			
Judicial	-	-	476,054
Public safety	580,735	-	-
Public works	-	-	-
Health and welfare	-	278,000	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	580,735	278,000	476,054
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,956)	(60,113)	(46,191)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	97,491	-	46,996
Operating transfers out	(64,020)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	33,471	-0-	46,996
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,515	(60,113)	805
Fund balances, beginning of year	43,250	62,407	4,556
Fund balances, end of year	\$ 49,765	\$ 2,294	\$ 5,361

Revenue

Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust	Solid Waste Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,540	-	-	23,330	-	-
-	3,995	-	-	-	-
-	337,005	-	-	143,394	-
-	-	-	-	-	-
-	8,400	170	-	-	-
-	-	-	-	-	-
4,540	349,400	170	23,330	143,394	-0-
79	-	-	-	-	-
-	471,700	-	-	-	-
-	-	-	15,773	73,886	316
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79	471,700	-0-	15,773	73,886	316
4,461	(122,300)	170	7,557	69,508	(316)
-	221,956	-	-	-	-
-	(21,988)	-	(7,257)	(65,033)	-
-0-	199,968	-0-	(7,257)	(65,033)	-0-
4,461	77,668	170	300	4,475	(316)
19,648	65,886	-	6,949	76,261	4,149
<u>\$ 24,109</u>	<u>\$ 143,554</u>	<u>\$ 170</u>	<u>\$ 7,249</u>	<u>\$ 80,736</u>	<u>\$ 3,833</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	Material Recovery	Sanilac Transportation	Public Communications
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	6,300	421,966	-
Charges for services	83,369	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	1
Other	-	-	-
TOTAL REVENUES	89,669	421,966	1
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	81,525	421,966	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	5,000	-	-
TOTAL EXPENDITURES	86,525	421,966	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,144	-0-	1
OTHER FINANCING SOURCES (USES)			
Operating transfers in	40,033	-	-
Operating transfers out	(53,496)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(13,463)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,319)	-	1
Fund balances, beginning of year	53,316	-	561
Fund balances, end of year	\$ 42,997	\$ -0-	\$ 562

Revenue

Hunter's Safety	Public Improvement	Great Parents Great Start	Reg. of Deeds- Automation	Veterans Millage	Law Enforcement
\$ -	\$ -	\$ -	\$ -	\$ 133,538	\$ -
-	-	-	-	-	-
-	-	26,343	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	544	994	62
-	-	118	-	2,789	-
-0-	-0-	26,461	544	137,321	62
-	-	-	-	-	-
949	-	-	-	-	-
-	-	-	-	-	-
-	-	26,461	-	134,960	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,013	-	-
949	-0-	26,461	27,013	134,960	-0-
(949)	-0-	-0-	(26,469)	2,361	62
-	-	-	71,114	1,000	-
-	-	-	(73,985)	(1,235)	-
-0-	-0-	-0-	(2,871)	(235)	-0-
(949)	-	-	(29,340)	2,126	62
3,957	1	-	41,248	20,174	5,619
\$ 3,008	\$ 1	\$ -0-	\$ 11,908	\$ 22,300	\$ 5,681

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	C.O.P.S. Grant	Shooting and Target Range	Drug Law Enforcement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	70,000	-	-
Charges for services	-	12,968	12,086
Fines and forfeits	-	-	42,642
Interest and rents	-	-	2,000
Other	-	-	5,050
TOTAL REVENUES	70,000	12,968	61,778
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	58,942	6,085	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	58,942	6,085	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,058	6,883	61,778
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(97,491)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(97,491)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	11,058	6,883	(35,713)
Fund balances, beginning of year	19,256	208	179,663
Fund balances, end of year	\$ 30,314	\$ 7,091	\$ 143,950

Revenue

Secondary Road Patrol	Contractual Patrol	ENV Prot. Thru Pollution	U.S. Marshall	Law Library	County Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,975
-	-	-	-	-	-
112,554	23,537	-	116,048	-	-
-	-	-	-	-	-
-	-	-	-	4,500	4,074
-	-	-	-	-	70
-	-	-	-	-	-
112,554	23,537	-0-	116,048	4,500	216,119
-	-	-	-	33,682	-
111,703	23,213	-	96,697	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	216,114
-	-	-	-	-	-
-	-	-	-	-	-
111,703	23,213	-0-	96,697	33,682	216,114
851	324	-0-	19,351	(29,182)	5
-	-	-	-	34,396	-
-	-	-	-	(5,200)	-
-0-	-0-	-0-	-0-	29,196	-0-
851	324	-	19,351	14	5
6,463	992	-	15,186	-	760
\$ 7,314	\$ 1,316	\$ -0-	\$ 34,537	\$ 14	\$ 765

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	Crime Victims Rights	Community Corrections	Remonumentation Program
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	53,056	61,825	60,100
Charges for services	-	15,420	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	53,056	77,245	60,100
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	53,125	73,572	-
Public works	-	-	-
Health and welfare	-	-	53,653
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	53,125	73,572	53,653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69)	3,673	6,447
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(505)	(11,183)	(6,447)
TOTAL OTHER FINANCING SOURCES (USES)	(505)	(11,183)	(6,447)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(574)	(7,510)	-0-
Fund balances, beginning of year	1,072	9,549	-
Fund balances, end of year	\$ 498	\$ 2,039	\$ -0-

Revenue				
Byrne Memorial	H.S.L.E.S.	Revolving Loan	Strong Families Project	Children's Trust
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	14,649	1,259	34,552	82,250
-	-	-	-	-
-	-	-	-	-
-	-	9,592	-	-
-	-	14,190	-	-
-0-	14,649	25,041	34,552	82,250
-	-	-	-	-
-	14,140	-	-	-
-	-	-	-	-
-	-	141,810	33,284	83,389
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	14,140	141,810	33,284	83,389
-0-	509	(116,769)	1,268	(1,139)
-	-	-	-	-
(116)	-	-	-	-
(116)	-0-	-0-	-0-	-0-
(116)	509	(116,769)	1,268	(1,139)
4,973	-	441,389	6,174	2,514
\$ 4,857	\$ 509	\$ 324,620	\$ 7,442	\$ 1,375

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	Michigan Justice Training	Child Care Grant	F.I.A.
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	6,545	7,408	207,913
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	556	31,730
TOTAL REVENUES	6,545	7,964	239,643
EXPENDITURES			
Current			
Judicial	8,021	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	7,819	265,626
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	8,021	7,819	265,626
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,476)	145	(25,983)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	24,485
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	24,485
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,476)	145	(1,498)
Fund balances, beginning of year	6,822	2,411	35,729
Fund balances, end of year	\$ 5,346	\$ 2,556	\$ 34,231

Revenue				
Child Care	Veterans Trust	Maintenance of Effort	Parks and Recreation	Forester Park Water Fund
\$ -	\$ -	\$ 214,035	\$ 220,172	\$ -
-	-	-	-	-
49,514	4,872	-	-	-
-	-	-	248,563	3,000
-	-	-	-	-
-	-	1,985	771	-
36,779	-	-	7,198	-
86,293	4,872	216,020	476,704	3,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
364,588	4,516	185,963	-	-
-	-	-	419,963	1,537
-	-	-	-	-
-	-	-	40,747	-
364,588	4,516	185,963	460,710	1,537
(278,295)	356	30,057	15,994	1,463
319,903	-	-	-	-
-	-	-	-	-
319,903	-0-	-0-	-0-	-0-
41,608	356	30,057	15,994	1,463
35,620	417	23,273	(42,605)	11,207
<u>\$ 77,228</u>	<u>\$ 773</u>	<u>\$ 53,330</u>	<u>\$ (26,611)</u>	<u>\$ 12,670</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special Revenue		
	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
REVENUES			
Taxes	\$ -	\$ -	\$ 216,381
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	244,181	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	1,209
Other	-	-	-
TOTAL REVENUES	244,181	-0-	217,590
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	158,502	-	-
Public works	-	-	-
Health and welfare	-	-	207,488
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	32,863	-	-
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	191,365	-0-	207,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,816	-0-	10,102
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(93,002)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(93,002)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(40,186)	-0-	10,102
Fund balances, beginning of year	119,549	1,764	9,825
Fund balances, end of year	\$ 79,363	\$ 1,764	\$ 19,927

Capital Project	Debt Service				
Equipment	Building Authority	Health Department	Jail Building Fund	Medical Care Facility	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,763,146
-	-	-	-	-	27,870
-	-	-	-	-	1,756,711
-	-	-	-	-	1,137,824
-	-	-	-	-	51,216
-	2	125,127	-	98,730	254,186
-	-	-	6,379	-	104,881
-0-	2	125,127	6,379	98,730	5,095,834
-	-	-	-	-	517,836
-	-	-	-	-	1,649,363
-	-	-	-	-	89,975
-	-	3,144	-	-	2,294,192
-	-	-	-	-	637,614
-	-	-	-	-	-
907	-	-	-	-	106,530
-	-	85,000	65,000	40,000	190,000
-	-	44,838	42,066	58,967	145,871
907	-0-	132,982	107,066	98,967	5,631,381
(907)	2	(7,855)	(100,687)	(237)	(535,547)
-	-	-	100,688	-	958,062
-	-	-	-	-	(500,958)
-0-	-0-	-0-	100,688	-0-	457,104
(907)	2	(7,855)	1	(237)	(78,443)
30,847	1,527	135,739	2	18,591	1,486,899
\$ 29,940	\$ 1,529	\$ 127,884	\$ 3	\$ 18,354	\$ 1,408,456

Sanilac County, Michigan
Non-major Enterprise Funds
COMBINING STATEMENT OF NET ASSETS
December 31, 2004

	Delinquent Tax 2001	Delinquent Tax 2002	Delinquent Tax 2004
ASSETS			
Current assets			
Cash and cash equivalents	\$ 604,415	\$ 472,438	\$ 114,853
Taxes receivable - delinquent	-	146,247	123,911
Receivables	-	1,340	-
Due from other governmental units	-	9,740	-
TOTAL CURRENT ASSETS	604,415	629,765	238,764
Restricted and other assets			
Advances to other funds	-	-	-
TOTAL ASSETS	604,415	629,765	238,764
LIABILITIES			
Current liabilities			
Due to other funds	604,415	2,086	-
Due to other governmental units	-	170	-
Total current liabilities	604,415	2,256	-0-
NET ASSETS			
Unrestricted	\$ -0-	\$ 627,509	\$ 238,764

See accompanying notes to financial statements.

<u>Tax Administrative</u>	<u>Tax Foreclosure Proceeds</u>	<u>Total</u>
\$ 92,581	\$ 458,912	\$ 1,743,199
-	-	270,158
-	-	1,340
-	-	9,740
92,581	458,912	2,024,437
-	-	-
92,581	458,912	2,024,437
-	35,011	641,512
-	-	170
-0-	35,011	641,682
<u>\$ 92,581</u>	<u>\$ 423,901</u>	<u>\$ 1,382,755</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Delinquent Tax 2001	Delinquent Tax 2002	Delinquent Tax 2004
OPERATING REVENUES			
Interest on taxes	\$ 44,509	\$ 177,396	\$ 2,354
Sales	47,299	-	-
Administrative fees	35,111	126,426	4,110
Other	-	-	-
TOTAL OPERATING REVENUES	126,919	303,822	6,464
OPERATING EXPENSES			
Salaries	-	-	-
Fringe benefits	-	-	-
Contractual services	-	-	-
Supplies	-	-	-
Other	3,824	36,841	-
TOTAL OPERATING EXPENSES	3,824	36,841	-0-
OPERATING INCOME (LOSS)	123,095	266,981	6,464
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	6,276	1,848	83
Interest expense	(220)	(4,110)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,056	(2,262)	83
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	129,151	264,719	6,547
TRANSFERS IN (OUT)			
Operating transfers in	-	-	232,217
Operating transfers out	(739,896)	-	-
TOTAL TRANSFERS IN (OUT)	(739,896)	-0-	232,217
CHANGE IN NET ASSETS	(610,745)	264,719	238,764
Net assets, beginning of year	610,745	362,790	-
Net assets, end of year	\$ -0-	\$ 627,509	\$ 238,764

See accompanying notes to financial statements.

<u>Tax Administrative</u>	<u>Tax Foreclosure Proceeds</u>	<u>Total</u>
\$ -	\$ -	\$ 224,259
-	-	47,299
-	1,869	167,516
<u>140</u>	<u>142</u>	<u>282</u>
140	2,011	439,356
-	827	827
-	72	72
-	62	62
-	157	157
<u>253</u>	<u>3,514</u>	<u>44,432</u>
<u>253</u>	<u>4,632</u>	<u>45,550</u>
(113)	(2,621)	393,806
576	4,302	13,085
<u>-</u>	<u>-</u>	<u>(4,330)</u>
<u>576</u>	<u>4,302</u>	<u>8,755</u>
463	1,681	402,561
44,458	127,040	403,715
<u>-</u>	<u>(38,526)</u>	<u>(778,422)</u>
<u>44,458</u>	<u>88,514</u>	<u>(374,707)</u>
44,921	90,195	27,854
<u>47,660</u>	<u>333,706</u>	<u>1,354,901</u>
<u>\$ 92,581</u>	<u>\$ 423,901</u>	<u>\$ 1,382,755</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Delinquent Tax 2001	Delinquent Tax 2002	Delinquent Tax 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 265,411	\$ 1,285,119	\$ 114,770
Cash paid to suppliers	(5,900)	(36,803)	(232,217)
Cash paid to employees	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	259,511	1,248,316	(117,447)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payment of notes	-	(903,000)	-
Interest expense	(220)	(4,110)	-
Transfers to other funds	(135,481)	-	-
Transfers from other funds	-	-	232,217
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(135,701)	(907,110)	232,217
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	6,276	1,848	83
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	130,086	343,054	114,853
Cash and cash equivalents, beginning of year	474,329	129,384	-
Cash and cash equivalents, end of year	<u>\$ 604,415</u>	<u>\$ 472,438</u>	<u>\$ 114,853</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 123,095	\$ 266,981	\$ 6,464
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) Decrease in receivables	138,492	981,297	(123,911)
Increase (decrease) in due to government units	(195)	1,633	-
Increase (decrease) in accrued liabilities	(1,881)	(1,595)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 259,511</u>	<u>\$ 1,248,316</u>	<u>\$ (117,447)</u>

Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 140	\$ 231,323	\$ 1,896,763
(253)	(17,968)	(293,141)
-	(827)	(827)
(113)	212,528	1,602,795
-	-	(903,000)
-	-	(4,330)
-	(38,526)	(174,007)
44,458	127,040	403,715
44,458	88,514	(677,622)
576	4,302	13,085
44,921	305,344	938,258
47,660	153,568	804,941
<u>\$ 92,581</u>	<u>\$ 458,912</u>	<u>\$ 1,743,199</u>
\$ (113)	\$ (2,621)	\$ 393,806
-	229,312	1,225,190
-	-	1,438
-	(14,163)	(17,639)
<u>\$ (113)</u>	<u>\$ 212,528</u>	<u>\$ 1,602,795</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

Year Ended December 31, 2004

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,009	\$ (1,563)	\$ 118,091	\$ 6,901
Accounts receivable	-	-	-	66
Due from other funds	-	-	-	9
Prepaid expenses	-	-	803	-
Inventory	-	6,524	2,500	899
Total current assets	5,009	4,961	121,394	7,875
Fixed assets				
Land	64,000	-	-	-
Buildings and improvements	141,733	-	-	-
Equipment	-	-	1,537,215	-
Vehicles	-	-	-	-
Less: accumulated depreciation	(54,748)	-	(1,376,637)	-
Net fixed assets	150,985	-0-	160,578	-0-
TOTAL ASSETS	\$ 155,994	\$ 4,961	\$ 281,972	\$ 7,875
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 7,307	\$ -
Accrued payroll	-	-	922	-
Total current liabilities	-0-	-0-	8,229	-0-
Long-term liabilities				
Capital leases payable	-	-	9,805	-
Advances from other funds	-	-	189,494	-
Total long-term liabilities	-0-	-0-	199,299	-0-
TOTAL LIABILITIES	\$ -0-	\$ -0-	\$ 207,528	\$ -0-
NET ASSETS				
Invested in capital assets, net of related debt	\$ 150,985	\$ -	\$ 150,773	\$ -
Restricted for claims	-	-	-	-
Unrestricted	5,009	4,961	(76,329)	7,875
TOTAL NET ASSETS	\$ 155,994	\$ 4,961	\$ 74,444	\$ 7,875

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Health Care	Total
\$ 68,880	\$ 9,829	\$ (52,892)	\$ 57,571	\$ 27,973	\$ 21,559	\$ 261,358
2,256	1	-	-	-	-	2,323
-	-	-	-	-	16,261	16,270
-	-	76,098	-	-	13,663	90,564
-	-	-	-	-	-	9,923
71,136	9,830	23,206	57,571	27,973	51,483	380,438
-	-	-	-	-	-	64,000
-	-	-	-	-	-	141,733
39,589	-	-	-	-	-	1,576,804
520,476	142,527	-	-	-	-	663,003
(513,203)	(57,011)	-	-	-	-	(2,001,599)
46,862	85,516	-0-	-0-	-0-	-0-	443,941
<u>\$ 117,998</u>	<u>\$ 95,346</u>	<u>\$ 23,206</u>	<u>\$ 57,571</u>	<u>\$ 27,973</u>	<u>\$ 51,483</u>	<u>\$ 824,379</u>
\$ 1,823	\$ -	\$ 17,854	\$ -	\$ 14,705	\$ 349	\$ 42,038
-	-	-	13,106	-	-	14,028
1,823	-0-	17,854	13,106	14,705	349	56,066
-	-	-	-	-	-	9,805
-	-	-	-	-	-	189,494
-0-	-0-	-0-	-0-	-0-	-0-	199,299
<u>\$ 1,823</u>	<u>\$ -0-</u>	<u>\$ 17,854</u>	<u>\$ 13,106</u>	<u>\$ 14,705</u>	<u>\$ 349</u>	<u>\$ 255,365</u>
\$ 46,862	\$ 85,516	\$ -	\$ -	\$ -	\$ -	\$ 434,136
-	-	-	-	-	-	-0-
69,313	9,830	5,352	44,465	13,268	51,134	134,878
<u>\$ 116,175</u>	<u>\$ 95,346</u>	<u>\$ 5,352</u>	<u>\$ 44,465</u>	<u>\$ 13,268</u>	<u>\$ 51,134</u>	<u>\$ 569,014</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2004

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
OPERATING REVENUES				
Charges for services	\$ -	\$ 16,353	\$ 479	\$ 52,041
Reimbursements	-	-	7,769	-
Other revenue	-	-	-	-
TOTAL OPERATING REVENUES	-0-	16,353	8,248	52,041
OPERATING EXPENSES				
Salaries	-	-	48,323	-
Fringe benefits	-	-	23,437	-
Operating supplies	-	16,282	39,430	53,339
Contractual services	-	-	183,795	-
Depreciation	4,328	-	100,371	-
Other	-	-	2,293	-
TOTAL OPERATING EXPENSES	4,328	16,282	397,649	53,339
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(4,328)	71	(389,401)	(1,298)
TRANSFERS IN (OUT)				
Transfers in	23,821	-	398,629	2,802
Transfers out	-	-	(27,600)	-
TOTAL TRANSFERS IN (OUT)	23,821	-0-	371,029	2,802
CHANGE IN NET ASSETS	19,493	71	(18,372)	1,504
Net assets, beginning of year	136,501	4,890	92,816	6,371
Net assets, end of year	<u>\$ 155,994</u>	<u>\$ 4,961</u>	<u>\$ 74,444</u>	<u>\$ 7,875</u>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 126,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,197
34,903	5,633	30,380	-	111,711	62,785	253,181
178	-	-	-	-	567	745
161,405	5,633	30,380	-0-	111,711	63,352	449,123
2,500	-	-	-	-	-	50,823
748	-	1,147,824	45,317	214,495	182,292	1,614,113
93,906	-	-	-	-	-	202,957
15,104	3,196	-	-	-	-	202,095
51,900	28,505	-	-	-	-	185,104
41,516	1,110	-	-	-	-	44,919
205,674	32,811	1,147,824	45,317	214,495	182,292	2,300,011
(44,269)	(27,178)	(1,117,444)	(45,317)	(102,784)	(118,940)	(1,850,888)
-	-	1,122,796	21,250	86,000	119,506	1,774,804
-	-	-	-	-	-	(27,600)
-0-	-0-	1,122,796	21,250	86,000	119,506	1,747,204
(44,269)	(27,178)	5,352	(24,067)	(16,784)	566	(103,684)
160,444	122,524	-	68,532	30,052	50,568	672,698
<u>\$ 116,175</u>	<u>\$ 95,346</u>	<u>\$ 5,352</u>	<u>\$ 44,465</u>	<u>\$ 13,268</u>	<u>\$ 51,134</u>	<u>\$ 569,014</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Building and Grounds	Central Stores	Data Processing	Mail Department
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from users	\$ -	\$ 16,353	\$ 8,865	\$ 52,099
Cash paid to suppliers	-	(18,958)	(233,624)	(53,528)
Cash paid for employee benefits	-	-	(23,437)	-
Cash paid for employee wages	-	-	(52,267)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-0-	(2,605)	(300,463)	(1,429)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	23,821	-	398,629	2,802
Transfers out	-	-	(27,600)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	23,821	-0-	371,029	2,802
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(23,821)	-	(56,241)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-0-	(2,605)	14,325	1,373
Cash and cash equivalents, beginning of year	5,009	1,042	103,766	5,528
Cash and cash equivalents, end of year	<u>\$ 5,009</u>	<u>\$ (1,563)</u>	<u>\$ 118,091</u>	<u>\$ 6,901</u>
Reconciliation of operating (loss) to net cash (used) by operating activities				
Operating income (loss)	\$ (4,328)	\$ 71	\$ (389,401)	\$ (1,298)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities				
Depreciation	4,328	-	100,371	-
(Increase) Decrease in receivables	-	-	617	58
(Increase)Decrease in prepaids/inventory	-	(2,476)	(282)	(189)
Increase (decrease) in accounts payable	-	-200	(7,824)	-
Increase (Decrease) in accrued liabilities	-	-	(3,944)	-
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ -0-</u>	<u>\$ (2,605)</u>	<u>\$ (300,463)</u>	<u>\$ (1,429)</u>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 159,455	\$ 5,633	\$ 30,380	\$ -	\$ 111,853	\$ 47,091	\$ 431,729
(149,081)	(4,306)	9,142	-	(26,265)	(13,314)	(489,934)
(748)	-	(1,147,824)	(45,317)	(214,495)	(182,292)	(1,614,113)
(2,500)	-	-	(1,781)	-	-	(56,548)
7,126	1,327	(1,108,302)	(47,098)	(128,907)	(148,515)	(1,728,866)
-	-	1,122,796	21,250	86,000	119,506	1,774,804
-	-	-	-	-	-	(27,600)
-0-	-0-	1,122,796	21,250	86,000	119,506	1,747,204
(4,887)	-	-	-	-	-	(84,949)
2,239	1,327	14,494	(25,848)	(42,907)	(29,009)	(66,611)
66,641	8,502	(67,386)	83,419	70,880	50,568	327,969
<u>\$ 68,880</u>	<u>\$ 9,829</u>	<u>\$ (52,892)</u>	<u>\$ 57,571</u>	<u>\$ 27,973</u>	<u>\$ 21,559</u>	<u>\$ 261,358</u>
\$ (44,269)	\$ (27,178)	\$ (1,117,444)	\$ (45,317)	\$ (102,784)	\$ (118,940)	\$ (1,850,888)
51,900	28,505	-	-	-	-	185,104
(1,950)	-	-	-	142	(16,261)	(17,394)
-	-	4,031	-	-	(13,663)	(12,579)
1,445	-	5,111	-	(26,265)	349	(27,384)
-	-	-	(1,781)	-	-	(5,725)
<u>\$ 7,126</u>	<u>\$ 1,327</u>	<u>\$ (1,108,302)</u>	<u>\$ (47,098)</u>	<u>\$ (128,907)</u>	<u>\$ (148,515)</u>	<u>\$ (1,728,866)</u>

Sanilac County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

	Agency Funds			Total
	Trust and Agency	Library Fund (Penal Fines)	Circuit Court Orders	
ASSETS				
Cash and cash equivalents	\$ 216,363	\$ 92,854	\$ 21,372	\$ 330,589
Due from other funds	136,072	-	-	136,072
TOTAL ASSETS	\$ 352,435	\$ 92,854	\$ 21,372	\$ 466,661
LIABILITIES				
Undistributed collections	\$ 167,973	\$ -	\$ -	\$ 167,973
Due to other funds	23,106	-	-	23,106
Due to other governmental units	157,362	92,854	-	250,216
Due to individuals and agencies	3,994	-	21,372	25,366
TOTAL LIABILITIES	\$ 352,435	\$ 92,854	\$ 21,372	\$ 466,661

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2004

	Debt		
	Middle Branch and Branches	Turtle Creek Const./Maint.	Turtle Creek
ASSETS			
Cash and cash equivalents	\$ -	\$ 58,588	\$ 58,848
Special assessments receivable	-	-	158,317
Due from other funds	-	-	-
Due from primary government	-	-	14,696
Advances to other funds	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 58,588</u>	<u>\$ 231,861</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	118,100
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	-0-	118,100
FUND BALANCES			
Reserved for debt service	-	58,588	113,761
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	-0-	58,588	113,761
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 58,588</u>	<u>\$ 231,861</u>

Service			
Dwight & Brs	White Rock	Potts and Branches	Duff & Branches
\$ 23,529	\$ 6,942	\$ 84,761	\$ 545,917
27,429	94,029	105,623	1,890,520
-	-	-	-
9,072	14,135	23,093	63,829
-	-	-	-
<u>\$ 60,030</u>	<u>\$ 115,106</u>	<u>\$ 213,477</u>	<u>\$ 2,500,266</u>
\$ -	\$ -	\$ -	\$ -
-	74,813	-	1,782,671
-	-	-	-
-	-	-	-
-	-	-	-
-0-	74,813	-0-	1,782,671
60,030	40,293	213,477	717,595
-	-	-	-
<u>60,030</u>	<u>40,293</u>	<u>213,477</u>	<u>717,595</u>
<u>\$ 60,030</u>	<u>\$ 115,106</u>	<u>\$ 213,477</u>	<u>\$ 2,500,266</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2004

	Debt Service		
	E. Branch Speaker Maple	Regular Drains	Stone Drain
ASSETS			
Cash and cash equivalents	\$ 64,331	\$ 104,501	\$ 60,070
Special assessments receivable	88,414	963,099	879,611
Due from other funds	-	-	-
Due from primary government	25,585	67,169	13,002
Advances to other funds	-	-	-
TOTAL ASSETS	<u>\$ 178,330</u>	<u>\$ 1,134,769</u>	<u>\$ 952,683</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ 9,000	\$ -
Deferred revenue	-	758,034	821,973
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	767,034	821,973
FUND BALANCES			
Reserved for debt service	178,330	367,735	130,710
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	<u>178,330</u>	<u>367,735</u>	<u>130,710</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 178,330</u>	<u>\$ 1,134,769</u>	<u>\$ 952,683</u>

Capital Project

Regular Drains	Revolving Drains	Maintenance Revolving	Elk Creek	Middle & Branches
\$ 914,884	\$ 3,196	\$ 74,296	\$ 96,785	\$ 73,299
106,275	-	-	-	-
-	121,820	-	-	-
25,494	-	-	-	-
-	-	-	-	-
<u>\$ 1,046,653</u>	<u>\$ 125,016</u>	<u>\$ 74,296</u>	<u>\$ 96,785</u>	<u>\$ 73,299</u>
\$ 198,929	\$ -	\$ -	\$ -	\$ -
30,187	-	-	-	-
70,000	-	-	-	-
-	122,539	-	-	-
112	2,477	-	-	-
299,228	125,016	-0-	-0-	-0-
-	-	-	-	-
747,425	-	74,296	96,785	73,299
747,425	-0-	74,296	96,785	73,299
<u>\$ 1,046,653</u>	<u>\$ 125,016</u>	<u>\$ 74,296</u>	<u>\$ 96,785</u>	<u>\$ 73,299</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2004

	Capital		
	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
ASSETS			
Cash and cash equivalents	\$ 65,887	\$ 51,356	\$ 30,842
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from primary government	-	-	-
Advances to other funds	-	-	-
TOTAL ASSETS	<u>\$ 65,887</u>	<u>\$ 51,356</u>	<u>\$ 30,842</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	65,887	51,356	30,842
TOTAL FUND BALANCES	<u>65,887</u>	<u>51,356</u>	<u>30,842</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,887</u>	<u>\$ 51,356</u>	<u>\$ 30,842</u>

Project				
Black River	Duff & Brs Const/Maint	E. Branch Speaker	Stone Drain	Total
\$ 222,020	\$ 324,466	\$ 62,728	\$ 36,915	\$ 2,964,161
-	-	-	-	4,313,317
77,109	9,000	-	-	207,929
-	-	-	-	256,075
70,000	-	-	-	70,000
<u>\$ 369,129</u>	<u>\$ 333,466</u>	<u>\$ 62,728</u>	<u>\$ 36,915</u>	<u>\$ 7,811,482</u>
\$ -	\$ -	\$ -	\$ -	\$ 207,929
-	-	-	-	3,585,778
-	-	-	-	70,000
-	-	-	-	122,539
-	-	-	-	2,589
-0-	-0-	-0-	-0-	3,988,835
-	-	-	-	1,880,519
369,129	333,466	62,728	36,915	1,942,128
369,129	333,466	62,728	36,915	3,822,647
<u>\$ 369,129</u>	<u>\$ 333,466</u>	<u>\$ 62,728</u>	<u>\$ 36,915</u>	<u>\$ 7,811,482</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2004

Total fund balance - governmental funds \$ 3,822,647

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	24,160,134	
Accumulated depreciation is	<u>(9,397,118)</u>	
Capital assets, net		14,763,016

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	3,585,778
------------------	-----------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds, notes and loans payable	<u>(4,493,383)</u>
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Net assets of governmental activities \$ 17,678,058

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2004

	Debt		
	Middle Branch and Branches	Turtle Creek Const./Maint.	Turtle Creek
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	57,587
Interest	-	771	6,404
Other	-	-	-
TOTAL REVENUES	-0-	771	63,991
EXPENDITURES			
Capital outlay	-	1,200	-
Debt service			
Principal redemption	-	-	56,000
Interest and fees	-	-	10,045
TOTAL EXPENDITURES	-0-	1,200	66,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(429)	(2,054)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	10	-
Operating transfers out	-	(836)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(826)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-0-	(1,255)	(2,054)
Fund balances, beginning of year	-	59,843	115,815
Fund balances, end of year	\$ -0-	\$ 58,588	\$ 113,761

Service

<u>Dwight & Brs</u>	<u>White Rock</u>	<u>Potts and Branches</u>	<u>Duff & Branches</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
48,844	34,996	130,772	152,685
2,271	5,436	4,503	59,540
-	-	-	-
51,115	40,432	135,275	212,225
-	-	-	-
50,875	51,000	125,000	145,000
4,960	10,710	11,481	86,337
55,835	61,710	136,481	231,337
(4,720)	(21,278)	(1,206)	(19,112)
-	-	-	-
-	1,235	-	-
-	-	-	-
-0-	1,235	-0-	-0-
(4,720)	(20,043)	(1,206)	(19,112)
64,750	60,336	214,683	736,707
<u>\$ 60,030</u>	<u>\$ 40,293</u>	<u>\$ 213,477</u>	<u>\$ 717,595</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2004

	Debt Service		
	E. Branch Speaker Maple	Regular Drains	Stone Drain
REVENUES			
Intergovernmental	\$ -	\$ 12,904	\$ -
Charges for services	-	16,687	-
Special assessments	123,288	293,496	72,865
Interest	3,749	32,391	24,739
Other	-	-	-
TOTAL REVENUES	127,037	355,478	97,604
EXPENDITURES			
Capital outlay	-	-	-
Debt service			
Principal redemption	130,000	354,494	60,000
Interest and fees	10,394	45,389	38,552
TOTAL EXPENDITURES	140,394	399,883	98,552
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,357)	(44,405)	(948)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	179	-
Operating transfers out	-	(87,920)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(87,741)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(13,357)	(132,146)	(948)
Fund balances, beginning of year	191,687	499,881	131,658
Fund balances, end of year	\$ 178,330	\$ 367,735	\$ 130,710

Capital Project

Regular Drains	Revolving Drains	Maintenance Revolving	Elk Creek	Middle & Branches
\$ -	\$ -	\$ -	\$ -	\$ -
49,627	-	11,453	-	-
124,326	-	-	-	-
9,386	-	590	2,030	741
12,195	-	-	4,765	-
195,534	-0-	12,043	6,795	741
313,380	-	48,477	2,322	2,250
-	-	-	-	-
6,293	-	-	-	-
319,673	-0-	48,477	2,322	2,250
(124,139)	-0-	(36,434)	4,473	(1,509)
433,500	-	-	-	-
101,581	-	81,927	-	-
(64,525)	-	(39,434)	(13,824)	(621)
470,556	-0-	42,493	(13,824)	(621)
346,417	-0-	6,059	(9,351)	(2,130)
401,008	-	68,237	106,136	75,429
<u>\$ 747,425</u>	<u>\$ -0-</u>	<u>\$ 74,296</u>	<u>\$ 96,785</u>	<u>\$ 73,299</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2004

	Capital		
	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Interest	860	691	380
Other	-	-	-
TOTAL REVENUES	860	691	380
EXPENDITURES			
Capital outlay	100	178	8,588
Debt service			
Principal redemption	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	100	178	8,588
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	760	513	(8,208)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(589)	(1,607)	(1,720)
TOTAL OTHER FINANCING SOURCES (USES)	(589)	(1,607)	(1,720)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	171	(1,094)	(9,928)
Fund balances, beginning of year	65,716	52,450	40,770
Fund balances, end of year	\$ 65,887	\$ 51,356	\$ 30,842

Project				
Black River	Duff & Brs Const/Maint	E. Branch Speaker	Stone Drain	Total
\$ -	\$ 6,500	\$ -	\$ -	\$ 19,404
-	-	-	3,275	81,042
-	-	-	-	1,038,859
8,969	4,171	764	3,530	171,916
-	-	-	-	16,960
8,969	10,671	764	6,805	1,328,181
2,256	1,613	550	416,129	797,043
-	-	-	-	972,369
-	-	-	-	224,161
2,256	1,613	550	416,129	1,993,573
6,713	9,058	214	(409,324)	(665,392)
-	-	-	-	433,500
-	-	-	-	184,932
(2,257)	(3,137)	(293)	(7,372)	(224,135)
(2,257)	(3,137)	(293)	(7,372)	394,297
4,456	5,921	(79)	(416,696)	(271,095)
364,673	327,545	62,807	453,611	4,093,742
<u>\$ 369,129</u>	<u>\$ 333,466</u>	<u>\$ 62,728</u>	<u>\$ 36,915</u>	<u>\$ 3,822,647</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (271,095)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	423,501	
Depreciation expense	<u>(805,336)</u>	
Excess of capital outlay over depreciation expense		(381,835)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Deferred revenue		(951,951)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(433,500)	
Bond and note principal retirement	<u>972,369</u>	
		<u>538,869</u>

Change in net assets of governmental activities \$ (1,066,012)

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2004

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Lex, Worth Water Project
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 1,365	\$ 169
Due from other governmental units	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>	<u>\$ 169</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Fund balances				
Reserved for debt service	-	-	1,365	169
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>1,365</u>	<u>169</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>	<u>\$ 169</u>

Capital Projects			
Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Total
\$ 11,964	\$ -	\$ 5,294	\$ 18,792
-	52,632	-	52,632
<u>\$ 11,964</u>	<u>\$ 52,632</u>	<u>\$ 5,294</u>	<u>\$ 71,424</u>
\$ -	\$ 52,632	\$ -	\$ 52,632
-	-	-	1,534
<u>11,964</u>	<u>-</u>	<u>5,294</u>	<u>17,258</u>
<u>11,964</u>	<u>-0-</u>	<u>5,294</u>	<u>18,792</u>
<u>\$ 11,964</u>	<u>\$ 52,632</u>	<u>\$ 5,294</u>	<u>\$ 71,424</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2004

Total fund balance - governmental funds	\$ 18,792
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

Lease receivable	9,810,884
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Direct county obligations	<u>(9,810,884)</u>
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Net assets of governmental activities	<u>\$ 18,792</u>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Lex, Worth Water Project
REVENUES				
Intergovernmental	\$ 25,970	348	\$ 932,384	\$ 82,135
Interest	-	-	10	1
TOTAL REVENUES	25,970	348	932,394	82,136
EXPENDITURES				
Other	-	-	-	-
Debt service				
Principal Redemption	20,000	-	475,000	40,000
Interest and fiscal charges	5,970	348	457,383	42,164
Capital Outlay				
Construction	-	-	-	-
TOTAL EXPENDITURES	25,970	348	932,383	82,164
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	11	(28)
OTHER FINANCING SOURCES				
Proceeds of loan	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	11	(28)
Fund balances, beginning of year	-	-	1,354	197
Fund balances, end of year	\$ -0-	\$ -0-	\$ 1,365	\$ 169

Capital Projects			
Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Total
\$ -	\$ -	\$ -	\$ 1,040,837
193	-	624	828
193	-0-	624	1,041,665
-	35,606	237	35,843
-	-	-	535,000
-	-	2,101	507,966
14,280	1,005,278	50,554	1,070,112
14,280	1,040,884	52,892	2,148,921
(14,087)	(1,040,884)	(52,268)	(1,107,256)
-	1,040,884	-	1,040,884
(14,087)	-0-	(52,268)	(66,372)
26,051	-	57,562	85,164
\$ 11,964	\$ -0-	\$ 5,294	\$ 18,792

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds **\$ (66,372)**

Amounts reported for governmental activities in the statement of activities are different because:

Construction of the water systems on behalf of the municipalities are reported as expenditures in the governmental funds, but these payments increases the lease receivable in the statement of net assets.

Payments made on the lease receivable is reported as revenue in governmental funds, but the payments reduces the lease receivable in the statement of net assets. In the current year, these amounts consist of:

Lease revenue	1,040,884	
Lease payments	<u>(535,000)</u>	505,884

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(1,040,884)	
Bond principal retirement	<u>535,000</u>	<u>(505,884)</u>

Change in net assets of governmental activities **\$ (66,372)**

Sanilac County, Michigan
Component Unit Funds
BALANCE SHEET - ROAD COMMISSION
December 31, 2004

ASSETS	
Cash and cash equivalents	\$ 1,612,108
Accounts receivable	13,362
Due from other governmental units	1,225,364
Prepaid expenditures	55,413
Inventory	<u>274,366</u>
TOTAL ASSETS	<u><u>\$ 3,180,613</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 101,045
Accrued liabilities	57,591
Due to other governmental units	27
Performance bond payable	5,000
Deferred revenue	82,667
Advances from other governmental units	<u>265,454</u>
TOTAL LIABILITIES	511,784
FUND BALANCES	
Fund balances	
Reserved for roads	2,163,067
Unreserved - undesignated	<u>505,762</u>
TOTAL FUND BALANCE	<u>2,668,829</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 3,180,613</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - ROAD COMMISSION

December 31, 2004

Total fund balance - governmental fund **\$ 2,668,829**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	66,901,924	
Accumulated depreciation is	<u>(25,375,727)</u>	
Capital assets, net		41,526,197

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the governmental fund balance sheet. Long-term
liabilities are year end consist of:

Leases payable	(945,426)	
Accrued interest payable	(3,080)	
Compensated absences	<u>(680,624)</u>	<u>(1,629,130)</u>

Net assets of governmental activities **\$ 42,565,896**

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ROAD COMMISSION

Year Ended December 31, 2004

REVENUES

Taxes	\$ 1,688,510
Licenses and permits	28,350
Intergovernmental	9,345,709
Charges for services	1,498,733
Interest and rents	36,708
Other	<u>(128,413)</u>

TOTAL REVENUES	12,469,597
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EXPENDITURES

Current	
Public Works	12,098,196
Capital outlay	(344,075)
Debt service	<u>237,361</u>

TOTAL EXPENDITURES	<u>11,991,482</u>
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EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	478,115
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OTHER FINANCING SOURCES

Lease proceeds	<u>360,007</u>
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EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	838,122
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Fund balances, beginning of year	<u>1,830,707</u>
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Fund balances, end of year	<u><u>\$ 2,668,829</u></u>
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Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ROAD COMMISSION

Year Ended December 31, 2004

Net change in fund balance - governmental fund **\$ 838,122**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	5,425,402
Depreciation expense	(785,406)
Infrastructure depreciation	<u>(2,389,837)</u>

Excess of capital outlay over depreciation expense	2,250,159
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In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.

13,059

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Lease proceeds	(360,007)
Capital lease payments	<u>194,507</u>

(165,500)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in accrued interest payable	592
Decrease in accrued compensated absences	<u>349,846</u>

350,438

Change in net assets of governmental activities

\$ 3,286,278

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2004

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 259,907
Due from other governmental units	<u>71,453</u>
TOTAL ASSETS	<u><u>\$ 331,360</u></u>
LIABILITIES AND FUND BALANCES	
Accounts payable	\$ 5,915
Deferred revenue	<u>130,883</u>
TOTAL LIABILITIES	136,798
FUND BALANCES	
Fund balances	
Unreserved - undesignated	<u>194,562</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 331,360</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2004

Total fund balance - governmental fund	\$ 194,562
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the governmental fund.

Loans payable	<u>(101,983)</u>
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Net assets of governmental activities	<u>\$ 92,579</u>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2004

	<u>Total</u>
REVENUES	
Taxes	\$ 9,175
Intergovernmental	194,812
Charges for services	31,604
Interest	4,262
Other	<u>103,656</u>
TOTAL REVENUES	343,509
EXPENDITURES	
Health and welfare	<u>358,531</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,022)
Fund balances, beginning of year	<u>209,584</u>
Fund balances, end of year	<u><u>\$ 194,562</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2004

Net change in fund balance - governmental fund	\$ (15,022)
Amounts reported for governmental activities in the statement of activities are not different.	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ (15,022)</u></u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
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and
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

We have audited the basic financial statements of Sanilac County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanilac County, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We did note certain immaterial instances of noncompliance that we have reported to management of Sanilac County, Michigan, in a separate letter dated June 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We did note other matters involving the internal control over financial reporting that we have reported to management of Sanilac County, Michigan, in a separate letter dated June 10, 2005.

This report is intended for the information of the County Board of Commissioners, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in dark ink, appearing to read "Abraham & Gaffney, P.C.", is written in a cursive style.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 10, 2005

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MANAGEMENT LETTER

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Sanilac County, Michigan for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should review the status of individual fund balances (deficits) near year-end.

As noted in the basic financial statements, the County had one fund (Parks and Recreation) that ended the year in an unreserved fund deficit position. As a result, the County will be required to submit a deficit reduction plan to the State of Michigan.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits. The County should also closely monitor operations of fund activities that are in danger of ending the year in a deficit.

2. The Sheriff Department should review receipting and other accounting procedures.

As a result of the Sheriff department's recent reorganization of accounting functions and duties, we were requested to perform a more detailed review of department accounting procedures. During our analysis and testing of the Sheriff Department's accounting procedures, we noted the following areas where we feel systems could be improved.

- a. Commissary - We noted that one individual is responsible for all aspects of the accounting (i.e., prepare voucher and deposit funds, prepare and sign checks (one signature), reconcile bank account).

We suggest the Sheriff Department review and revise duties as deemed practical to assure that an adequate segregation of duties is achieved. The individual who makes deposits and reconciles this bank account should not also be able to receipt funds or prepare and sign checks. The department should also consider requiring two (2) signatures on checks, or the individual who reconciles the account should receive the bank statement unopened and review cancelled checks.

- b. Inmate Trust - We noted that the individual who is responsible for making deposits and reconciling this bank account also has the capability and at times will receipt funds and prepare and sign checks.

We suggest the Sheriff Department review and revise duties as deemed practical to assure that an adequate segregation of duties is achieved. The individual who makes deposits and reconciles this bank account should not also be able to receipt funds or prepare and sign checks. The department should also consider requiring two (2) signatures on checks, or the individual who reconciles the account should receive the bank statement unopened and review cancelled checks.

- c. Receipting of collections - We noted that a record is not prepared (i.e., receipt book, log sheet, etc.) for all collections that are received in the Sheriff Department (i.e., mail receipts). These collections represent checks received through the mail for phone commissions, Federal and State housing revenues and other checks, and they are reported on various transmittals and sent to the Treasurer's office at least weekly and sometimes more frequently if large amounts are received.

We suggest the Sheriff Department review and revise procedures related to the accounting for mail receipts. The department should consider having some of these revenues mailed directly to the Treasurer's office (copy of remittance documentation can be sent back to the department). For other mail receipts, the department should either prepare a log or write receipts to document the collections so that transmittal information can be reconciled to assure that all collections have been deposited.

3. The Parks Department should use prenumbered receipts to document all receipts collections.

During our analysis and testing of the Parks department receipts processes, we noted that for some collections (i.e., wood sales, pumping fees at Forester, etc.) a receipt document is not prepared to support the collections. We were not able to reconcile a sample of deposit amounts to receipt records, which appears to be due to not recording receipts for all collections.

We suggest the Park department review procedures to assure that all collections be documented either by preparation of a receipt or by maintaining a receipt log.

4. The Economic Development Corporation should assure that all bank accounts are reconciled to the general ledger.

During our analysis and testing of the bank reconciliations at year end, we noted that certain bank account balances did not reconcile to the general ledgers. Upon further analysis, we identified the most significant differences and made audit adjusting entries to correct the balances. There still remained some minor differences and also reconciling items that need further review.

We suggest the Economic Development Corporation review procedures related to reconciling bank accounts to assure that all amounts reconcile to the general ledgers.

5. The Economic Development Corporation should review certain receivable balances to assure the collectibility of the amounts.

During our analysis and testing of various receivable account balances, we noted that account balances included some amounts that are older and may no longer be collectible.

We suggest the Economic Development Corporation review the receivable accounts detail and determine the collectibility of amounts. Uncollectible items should be taken to the Board to approve writing off the amounts.

6. The Health Department should assure that all bank accounts reconcile to the general ledger.

During our analysis and testing of the bank reconciliations at year end, we noted that the County pooled cash and the payables account balances did not reconcile to the general ledger. Upon further analysis, we identified the most significant differences and made audit adjusting entries to correct the balances. There still remained a minor difference in the County pooled cash balance, which the Health Department had been reconciling in prior months.

We also noted that the Health Department had reported certain revenues and expenditures that had not been received and/or paid as of year end as cash receipts and cash disbursements (i.e., accounts receivables and accounts payables). This was part of the reason that the cash balances did not reconcile to the general ledgers. We made audit adjusting entries to reclassify these amounts as accounts receivable and accounts payable at year end.

We suggest the Health Department review procedures related to reconciliation of cash balances to assure that all bank balances are reconciled to the general ledger on a monthly basis. The Department should also assure that cash activity is posted to the correct accounting period to assure reconciliation of amounts.

7. The Health Department should review all receivable balances to assure collectibility and accuracy.

During our analysis and testing of the various accounts receivable balances, we noted that there were many third party client fee receivable balances that were older and may not be collectible. We also noted that detail was not available to support some of the due from other governmental unit receivable balances reported in the general ledger.

We suggest the Health Department review the third party client fee receivable detail and determine the collectibility of amounts. Uncollectible items should be taken to the Board to approve write off of the amounts. The Department should also obtain and review the details related to all amounts reported as due from other governmental units, and make appropriate accounting adjustments based on the results of that review.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated June 10, 2005.

This report is intended solely for the use of management and the Board of Commissioners of Sanilac County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 10, 2005